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ORDERLY LIQUIDATION OF STOCKS OF AGRICULTURAL COMMODITIES HELD
BY THE COMMODITY CREDIT CORPORATION AND THE EXPANSION OF MARKETS
FOR SURPLUS AGRICULTURAL COMMODITIES

An Annual Report by the Secretary of Agriculture in response to
Section 201(b), Public Law 540, 84th Congress

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UNITED STATES DEPARTMENT OF AGRICULTURE
Washington, D.C.

March 1964

This report is in response to the following parts of Section 201 (b), Public Law 540, 84th Congress, approved May 28, 1956:

" . . .The Secretary shall report annually on his operations under subsection (a) and such reports shall show--

- (1) the quantities of surplus commodities on hand;
- (2) the methods of disposition utilized and the quantities disposed of during the preceding twelve months;
- (3) the methods of disposition to be utilized and the estimated quantities that can be disposed of during the succeeding twelve months;
- (4) a detailed program for the expansion of markets for surplus agricultural commodities through marketing and utilization research and improvement of marketing facilities; and
- (5) recommendations for additional legislation necessary to accomplish the purposes of this section."

NOTE: Parts I, II and IV were written and compiled by the Office of the General Sales Manager, Foreign Agricultural Service on the basis of official figures furnished by the Fiscal and Budget Divisions of the Agricultural Stabilization and Conservation Service.

The topical sections of Part III were written by various agencies of the Department as indicated below:

Utilization Research and Development - Agricultural
Research Service
Expanding Domestic Markets - Economic Research Service
Improvement of Marketing Facilities - Agricultural
Marketing Service
Economic Research and Promotion of Exports - Foreign
Agricultural Service and Economic Research Service
Farmer Cooperatives - Farmer Cooperative Service
Forest Products Marketing and Utilization Research -
Forest Service

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PART I

QUANTITIES OF SURPLUS COMMODITIES ON HAND; SALES AND DISPOSITION METHODS USED; AND QUANTITIES OF CCC COMMODITIES MOVED INTO CONSUMPTION CHANNELS

The total cost value of CCC price support inventories increased from \$4.5 billion as of June 30, 1962 to \$4.7 billion as of June 30, 1963. During the Fiscal Year 1963 CCC sold or otherwise disposed of commodities with a cost value of \$2.6 billion (excluding inventory carrying charges) as compared with \$3.2 billion in Fiscal Year 1962. Sales of corn, wheat and barley were down, however, sales of cotton, grain sorghums, soybeans and dairy products exceeded sales for the Fiscal Year 1962.

CCC'S PRICE SUPPORT INVESTMENT

CCC's investment in price support loans and inventories totaled \$7,256,552,000 as of June 30, 1963, up about \$600 million from the previous year's \$6,657,026,000. Commodities pledged for loans increased from \$2,182,668,145 to \$2,530,620,000. (See Table 1 which shows total CCC investment in commodities pledged for loans and commodities in inventory as of June 30, 1963.)

Composition of the total CCC inventory and changes in the inventory from Fiscal Year 1959 through 1963 are shown in Table 2.

CCC inventories of upland cotton increased sharply from 1,449,000 bales in 1962 to 4,136,000 bales in 1963. Corn dropped from 658,805,000 bushels to 492,124,000 bushels. Wheat declined a little over 14 million bushels. (See Chart 1) Stocks of grain sorghums, butter, cheese and soybeans were reduced. Tobacco under loan to CCC increased from 451,079,000 pounds to 609,453,000 pounds. Inventories of butter and cheese were reduced whereas stocks of non-fat dry milk and peanuts were larger. For the first time in four years, CCC acquired a small amount of cottonseed oil.

CCC SALES PROGRAMS AND DISPOSAL METHODS

CCC sells or otherwise disposes of its commodities through five major outlets: Commercial Sales for U. S. Dollars, Payment-in-Kind Programs, Barter, Sales for Foreign Currencies and for dollars under Public Law 480, Transfers and Donations. In its sales and disposal operations, CCC utilizes, insofar as practicable, the customary facilities and arrangements of trade and commerce. Under the above programs CCC has developed various sales methods which are summarized by commodity in Table 3.

Composition of these sales and dispositions for Fiscal Year 1963 are shown in Table 4.

Tobacco price support activity for Fiscal Year 1963 including sales and liquidation of tobacco under loan are shown in Table 5.

Table 1

QUANTITY AND INVESTMENT VALUE OF COMMODITIES PLEDGED FOR
OUTSTANDING LOANS AND COMMODITIES IN PRICE SUPPORT INVENTORY
AS OF JUNE 30, 1963 AND JUNE 30, 1962

(All Figures in Thousands)

COMMODITY	Unit of Measure	Pledged for Loans		INVESTMENT AS OF JUNE 30, 1963		Total		Total Investment	
		Quantity	Value	In Inventory	Value	Quantity	Value	As of June 30, 1962	Value
Corn	Bushels	\$ 926,566	\$ 1,044,134	492,124	\$ 603,677	1,418,690	\$ 1,647,811	1,584,381	\$ 1,777,748
Cornmeal	Pounds							1,079	38
Cotton, Extra Long Staple	Bales	26	6,673	16	4,350	42	11,023	20	5,466
Cotton, Upland	Bales	4,786	744,162	4,136	714,466	8,922	1,458,628	4,937	834,300
Peanuts	Pounds	169	17	73,881	12,203	74,050	12,220	63,410	11,470
Rice	Cwt.	43	224	1,810	9,701	1,853	9,925	314	2,413
Tobacco	Pounds	609,453	437,433			609,453	437,433	451,079	304,665
Wheat	Bushels	80,152	160,857	1,082,464	2,167,741	1,162,616	2,328,598	1,177,054	2,292,118
Bulgur	Pounds			4,854	264	4,854	264	2,255	126
Barley	Bushels	19,438	16,049	46,976	40,632	66,414	56,681	49,841	42,555
Honey	Pounds	619	79			619	79	1,526	195
Butter	Pounds			379,846	220,837	379,846	220,837	401,030	239,258
Butter Oil	Pounds			90,959	72,190	90,959	72,190		
Cheese	Pounds			51,420	19,300	51,420	19,300	106,055	40,172
Ghee	Pounds			2,170	1,751	2,170	1,751		
Milk, Dried Non-fat	Pounds			706,776	104,268	706,776	104,268	626,052	99,233
Oats	Bushels	23,338	12,582	18,623	11,151	41,961	23,733	31,587	18,211
Rye	Bushels	229	208	1,563	1,620	1,792	1,828	2,773	2,637
Grain Sorghums	Cwt.	14,890	26,386	354,711	695,687	369,601	722,073	394,338	755,695
Tung Oil	Pounds	736	177			736	177	3,584	870
Almonds	Pounds							433	87
Beans, Dry Edible	Cwt.	4	32	1,168	8,774	1,172	8,806	2,654	18,446
Cottonseed Oil	Pounds			1,268	220	1,268	220		
Flaxseed	Bushels	119	332	5,327	15,793	5,446	16,125	32	90
Rosin	Pounds	190,640	19,786			190,640	19,786	88,403	8,779
Turpentine	Gallons			826	434	826	434	1,730	908
Soybeans	Bushels	27,585	61,498	3,182	7,436	30,767	68,934	69,701	163,777
Vegetable Oil Products	Pounds			17,362	2,941	17,362	2,941	93,772	17,245
Strategic and Critical Materials					10,487		10,487		20,524
TOTALS			\$ 2,530,629		\$ 4,725,923		\$ 7,256,552		\$ 6,657,026

Table 2

COMMODITIES IN CCC INVENTORY AND TOBACCO UNDER LOAN TO CCC
AS OF JUNE 30
(All Figures in Thousands)

COMMODITY	Unit of Measure	1959	1960	1961	1962	1963
Cotton, Extra Long Staple	Bales	29				16
Cotton, Upland	Bales	1,020	44		14	4,136
Wheat	Bushels	1,146,576	5,017	1,932	1,449	1,082,464
Wheat Flour	Pounds		1,195,369	1,242,518	1,096,620	
Bulgur	Pounds			80		
Corn	Bushels					4,854
Cornmeal	Pounds	1,043,676	1,158,237	1,261,016	2,255	492,124
Barley	Bushels	99,343			1,079	
Oats	Bushels	46,838	71,051	53,769	34,092	46,976
Rye	Bushels	6,600	15,096	10,358	16,744	18,623
Grain Sorghums	Bushels	280,658	5,318	4,323	2,611	1,563
Butter	Cwt.	72,001	319,281	392,311	384,776	354,711
Butter Oil	Pounds		105,357	159,531	401,030	379,846
Ghee	Pounds					90,959
Cheese	Pounds	26,055				2,170
Milk, Dried Non-fat	Pounds	136,062	7,728	17,673	106,055	51,420
Beans, Dry Edible	Pounds		299,886	307,018	626,052	706,776
Rice, Milled	Cwt.	530	150	1,206	2,631	1,168
Rice, Rough	Cwt.	3,347	1,575	76	179	14
Peanuts, Farmers' Stock	Cwt.	4,983	5,013	4,216	135	1,796
Peanuts, Shelled	Pounds	72,773	16,644	16,546		6,937
Tung Oil	Pounds	77,032	103,762	70,188	4,431	66,944
Cottonseed Oil, Refined	Pounds	14,369	18,593	4,828		
Cottonseed Oil, Crude	Pounds	39,585				1,268
Linseed Oil	Pounds	74				
Flaxseed	Pounds	11,000	27			
Soybeans	Bushels	6,898	67	1		5,327
Vegetable Oil Products	Bushels	54,852	20,380	1	51,631	3,182
Honey	Pounds				93,772	17,362
Rosin	Pounds	207				
Turpentine	Pounds	224,411			1,730	826
Tobacco	Gallons					
Tobacco	Pounds	11,089				
TOBACCO UNDER LOAN TO CCC				609,524		
Tobacco	Pounds	892,475	667,785		451,079	609,453

QUANTITIES OF SELECTED COMMODITIES IN CCC INVENTORY AND TOBACCO UNDER LOAN TO CCC.

Fiscal Years 1959-63

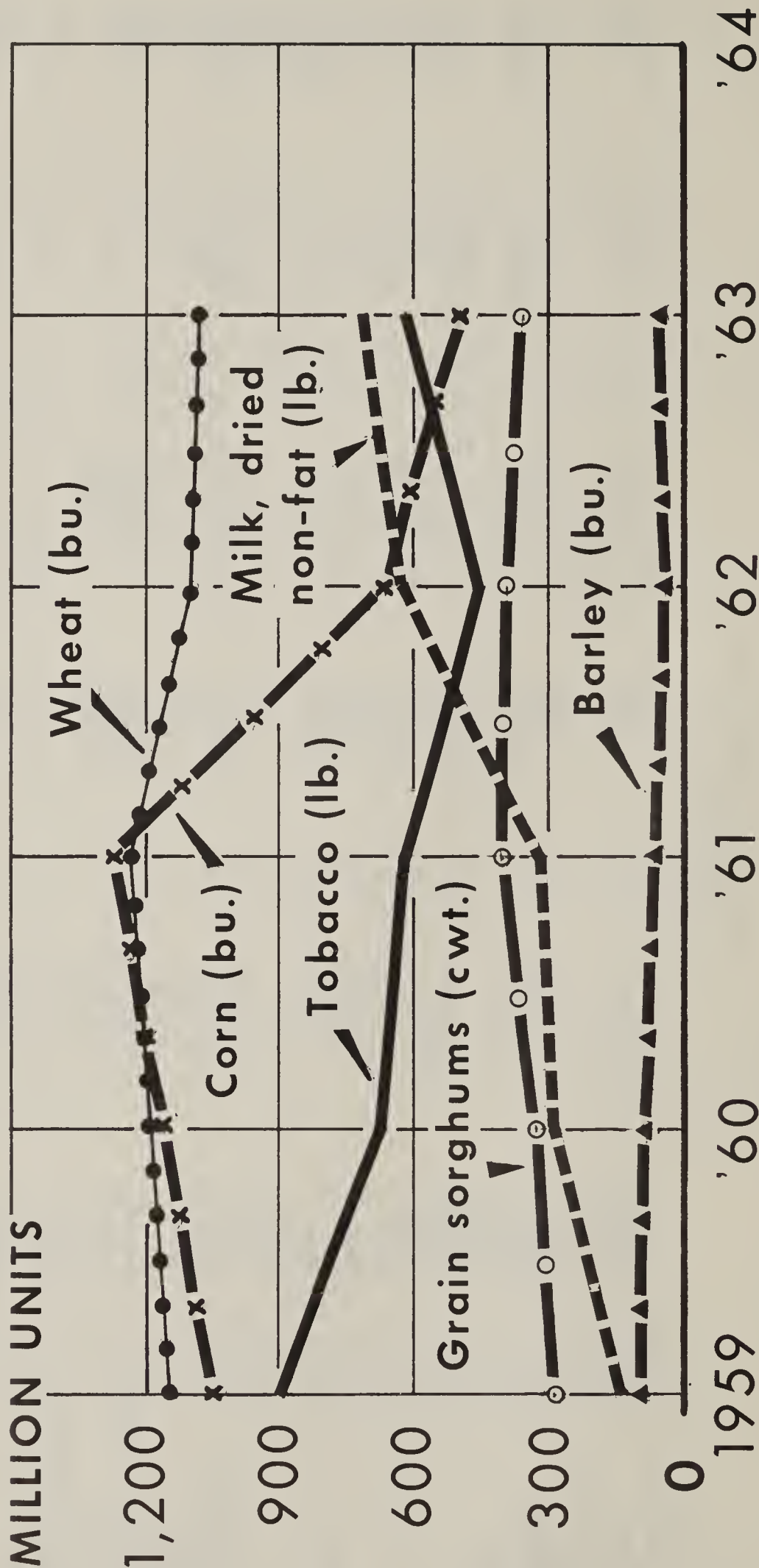


TABLE 3

METHODS OF SELLING CCC COMMODITIES

June 30, 1963

FOR EXPORT				FOR UNRESTRICTED USE (DOMESTIC OR EXPORT)	
Commodities Offered on Competitive Bids	Commodities Offered at Fixed Prices	Commodities Purchased with Payment-in-Kind Certificates	Commodities Sold at Con- cessional Prices <u>5/</u>	Commodities Offered at Not Less Than the Statutory Minimum Either for Fixed Prices or Competitive Bids <u>1/</u>	
(1)	(2)	(3)	(4)	(5)	
Butter	Butter	Barley	Cheese	Barley	
Cheese	Cheddar Cheese	Butter	Nonfat Dry Milk	Butter	
Nonfat Dry Milk	Nonfat Dry Milk	Cheese	Vegetable Oil	Cheese	
Peanuts		Corn	Wheat	Corn	
		Cotton (upland)		Cotton (extra long staple) <u>3/</u>	
		Grain Sorghums		Cotton (upland) <u>3/</u>	
		Nonfat Dry Milk		Cottonseed Oils	
		Oats		Dry Edible Beans	
		Rough Rice <u>2/</u>		Grain Sorghums	
		Rye		Honey	
		Wheat		Milled Rice	
				Nonfat Dry Milk	
				Oats	
				Peanuts, edible	
				Peanuts, for crushing <u>4/</u>	
				Rough Rice	
				Rye	
				Wheat	
<u>1/</u> Sales of commodities in danger of deterioration are made at the best price obtainable.					
Sales under the Emergency Feed Grain Program are made at market price.					
<u>2/</u> For export as milled, unpolished milled, or brown rice.					
<u>3/</u> CCC credit had special pricing formula.					
<u>4/</u> Statutory minimum not applicable when sold for crushing into oil for export.					
<u>5/</u> Sales below world market prices but at best price obtainable for export under programs such as school lunch programs which do not interfere with regular dollar markets.					

Table 4

DISPOSITION OF INVENTORIES ACQUIRED
UNDER THE PRICE-SUPPORT PROGRAM BY TYPE OF DISPOSITION
FISCAL YEAR 1963

(All Figures in Thousands)

COMMODITY, PERIOD AND ITEM	Unit of Measure	Total Dispositions	Sales for Dollars		Public Law 480 (Export)				Barter (Export) d/	Payment in Kind e/		Transfers to Other Government Agencies		Donations h/	
			Domestic a/	Export b/	Title I c/	Title II c/	Title IV c/	Unrestricted: Use f/		Export	Domestic g/	Export	Domestic	Export	
BASIC COMMODITIES:															
Corn:															
Quantity.....	Bushels	743,466	189,414	35,251	15,418	3,115	260	16,634	472,517	9,569	77	-	2	1,209	
Cost Value.....		\$ 835,646	213,147	40,162	17,566	3,989	296	18,952	528,981	10,903	86	-	2	1,562	
Proceeds.....		\$ 813,398	193,074	43,994	30,245	6,040	515	21,242	505,979	12,184	125	-	-	-	
Cornmeal:															
Quantity.....	Pounds	595,424	32	-	-	7,515	-	-	-	-	-	-	175,996	411,881	
Cost Value.....		\$ 21,856	1	-	-	268	-	-	-	-	-	-	6,078	15,509	
Proceeds.....		\$ 280	1	-	-	279	-	-	-	-	-	-	-	-	
Cotton, Extra Long Staple:															
Quantity.....	Bales	1/	1/	-	-	-	-	-	-	-	-	-	1/	-	
Cost Value.....		\$ 33	33	-	-	-	-	-	-	-	-	-	1/	-	
Proceeds.....		\$ 36	36	-	-	-	-	-	-	-	-	-	1/	-	
Cotton, Upland:															
Quantity.....	Bales	555	15	467	23	-	1	-	1/	49	-	-	1/	-	
Cost Value.....		\$ 96,442	2,682	81,159	3,992	-	90	-	28	8,481	-	-	10	-	
Proceeds.....		\$ 70,238	856	58,895	4,448	-	100	-	34	5,905	-	-	-	-	
Peanuts, Farmers' Stock:															
Quantity.....	Pounds	183,581	168,992	14,558	-	-	-	-	-	-	-	-	31	-	
Cost Value.....		\$ 20,145	18,280	1,861	-	-	-	-	-	-	-	-	4	-	
Proceeds.....		\$ 9,105	8,021	1,084	-	-	-	-	-	-	-	-	-	-	
Peanuts, Shelled:															
Quantity.....	Pounds	36,582	36,518	64	-	-	-	-	-	-	-	-	-	-	
Cost Value.....		\$ 5,564	5,550	14	-	-	-	-	-	-	-	-	-	-	
Proceeds.....		\$ 2,658	2,653	5	-	-	-	-	-	-	-	-	-	-	
Peanut Butter:															
Quantity.....	Pounds	40,868	-	-	-	-	-	-	-	-	40,868	-	-	-	
Cost Value.....		\$ 11,756	-	-	-	-	-	-	-	-	11,756	-	-	-	
Proceeds.....		\$ 7,403	-	-	-	-	-	-	-	-	7,403	-	-	-	
Rice, Milled:															
Quantity.....	Cwt.	1,163	6	-	-	14	-	-	-	-	-	-	1,139	4	
Cost Value.....		\$ 11,691	61	-	-	135	-	-	-	-	-	-	11,452	43	
Proceeds.....		\$ 153	22	-	-	131	-	-	-	-	-	-	-	-	
Rice, Rough: 1/															
Quantity.....	Cwt.	136	112	-	7	-	-	-	-	17	-	-	-	-	
Cost Value.....		\$ 644	518	-	39	-	-	-	-	87	-	-	-	-	
Proceeds.....		\$ 716	586	1/	44	-	-	-	-	86	-	-	-	-	
Tobacco, Owned:															
Quantity.....	Pounds	24,463	-	-	-	-	-	24,463	-	-	-	-	-	-	
Cost Value.....		\$ 16,228	-	-	-	-	-	16,228	-	-	-	-	-	-	
Proceeds.....		\$ 16,228	-	-	-	-	-	16,228	-	-	-	-	-	-	
Wheat:															
Quantity.....	Bushels	208,942	24,585	13,020	100,058	23,989	1,530	7,167	2	37,631	-	-	4	956	
Cost Value.....		\$ 419,210	49,490	25,896	199,007	50,586	3,044	14,255	5	74,845	-	-	1/	2,082	
Proceeds.....		\$ 648,782	52,137	30,344	362,558	92,229	5,598	16,782	5	89,129	-	-	-	-	
Wheat, Rolled:															
Quantity.....	Pounds	90,511	3*	-	-	-	-	-	-	-	-	-	75,237	15,277	
Cost Value.....		\$ 7,045	1/	-	-	-	-	-	-	-	-	-	5,950	1,095	
Proceeds.....		\$ 1	1	-	-	-	-	-	-	-	-	-	-	-	
Wheat Flour:															
Quantity.....	Pounds	2,072,886	16*	-	-	388,138	-	-	-	-	-	-	516,260	1,168,504	
Cost Value.....		\$ 115,554	3	-	-	21,490	-	-	-	-	-	-	29,067	64,994	
Proceeds.....		\$ 21,929	2	-	-	21,927	-	-	-	-	-	-	-	-	
Bulgar:															
Quantity.....	Pounds	276,876	219	-	-	60,748	-	-	-	-	-	-	864	215,045	
Cost Value.....		\$ 15,556	12	-	-	3,186	-	-	-	-	-	-	59	12,299	
Proceeds.....		\$ 5,314	11	-	-	5,303	-	-	-	-	-	-	-	-	

Table 4

DISPOSITION OF INVENTORIES ACQUIRED
UNDER THE PRICE-SUPPORT PROGRAM BY TYPE OF DISPOSITION
FISCAL YEAR 1963

(All Figures in Thousands)

COMMODITY, PERIOD AND ITEM	Unit of Measure	Total Dispositions	Sales for Dollars		Public Law 480 (Export)				Barter (Export) d/	Payment in Kind e/		Transfers to Other Government Agencies		Donations h/
			Domestic a/	Export b/	Title I c/	Title II c/	Title IV c/	Unrestricted: Use f/		Export	Domestic g/	Export	Domestic	
DESIGNATED NONBASIC COMMODITIES:														
Barley:														
Quantity.....	Bushels	11,050	2,626	1,074	2,389	459	2	1,343	187	2,962	8	-	-	-
Cost Value.....		9,852	2,256	968	2,152	426	2	1,210	160	2,670	8	-	-	-
Proceeds.....		13,264	1,981	1,120	4,547	1,007	4	1,357	157	3,078	13	-	-	-
Butter:														
Quantity.....	Pounds	226,311	630	10,824	924	2,094	852	1,590	-	601	-	13,124	186,036	9,636
Cost Value.....		137,711	372	6,384	545	1,399	503	938	-	354	-	7,741	113,456	6,019
Proceeds.....		9,202	465	2,493	584	1,523	521	365	-	138	-	3,113	-	-
Butter Oil:														
Quantity.....	Pounds	26,102	175	-	-	-	-	-	-	-	-	-	i/	25,927
Cost Value.....		21,072	143	-	-	-	-	-	-	-	-	-	i/	20,929
Proceeds.....		133	133	-	-	-	-	-	-	-	-	-	-	-
Cheese:														
Quantity.....	Pounds	182,094	3,303	1,332	368	132	-	-	-	72	303	-	140,652	35,932
Cost Value.....		69,402	1,246	508	141	50	-	-	-	27	121	-	53,076	14,233
Proceeds.....		1,754	1,069	334	153	62	-	-	-	18	118	-	-	-
Ghee:														
Quantity.....	Pounds	571	1	-	-	-	-	-	-	-	-	-	-	-
Cost Value.....		465	1	-	-	-	-	-	-	-	-	-	-	570
Proceeds.....		1/	1/	-	-	-	-	-	-	-	-	-	-	464
Grain Sorghum:														
Quantity.....	Bushels	259,145	5,485	11,655	7,081	948	1,166	13,854	212,602	6,345	9	-	-	-
Cost Value.....		291,069	6,137	12,774	7,761	1,121	1,279	15,185	239,849	6,954	9	-	-	-
Proceeds.....		275,330	5,157	13,113	15,758	2,248	2,606	15,413	213,616	7,400	19	-	-	-
Honey:														
Quantity.....	Pounds	1,091	74	-	-	-	-	-	-	-	1,017	-	-	-
Cost Value.....		193	9	-	-	-	-	-	-	-	184	-	-	-
Proceeds.....		193	7	-	-	-	-	-	-	-	186	-	-	-
Milk, Dried:														
Quantity.....	Pounds	1,128,238	37,664	207,362	12,389	69,073	-	31,797	-	503	-	192,341	577,109	-
Cost Value.....		181,057	5,772	30,996	1,852	11,474	-	4,753	-	76	-	31,206	94,928	-
Proceeds.....		31,781	4,093	11,197	1,965	12,675	-	1,821	-	30	-	-	-	-
Milk, Fluid:														
Quantity.....	Pounds	608,202	-	-	-	-	-	-	-	-	-	608,202	-	-
Cost Value.....		24,815	-	-	-	-	-	-	-	-	-	24,815	-	-
Proceeds.....		-	-	-	-	-	-	-	-	-	-	-	-	-
Oats:														
Quantity.....	Bushels	6,057	3,845	280	227	-	68	-	133	1,483	21	-	-	-
Cost Value.....		3,583	2,296	164	132	-	39	-	79	863	10	-	-	-
Proceeds.....		4,119	2,345	192	313	-	100	-	93	1,056	20	-	-	-
Rye:														
Quantity.....	Bushels	2,416	191	-	712	-	-	-	-	1,513	-	-	-	-
Cost Value.....		2,266	185	-	666	-	-	-	-	1,415	-	-	-	-
Proceeds.....		3,274	191	-	1,091	-	-	-	-	1,992	-	-	-	-
OTHER NONBASIC COMMODITIES:														
Beans, Dry Edible:														
Quantity.....	Cwt.	2,753	389	512	14	13	-	-	-	-	-	-	1,181	644
Cost Value.....		19,930	2,704	3,627	100	3	-	-	-	-	-	-	8,800	4,696
Proceeds.....		6,780	2,910	3,706	99	65	-	-	-	-	-	-	-	-
Cottonseed Oil, Crude: k/														
Quantity.....	Pounds	9,007	9,007	-	-	-	-	-	-	-	-	-	-	-
Cost Value.....		977	977	-	-	-	-	-	-	-	-	-	-	-
Proceeds.....		977	977	-	-	-	-	-	-	-	-	-	-	-
Cottonseed Oil, Refined: l/														
Quantity.....	Pounds	8,340	8,340	-	-	-	-	-	-	-	-	-	-	-
Cost Value.....		1,015	1,015	-	-	-	-	-	-	-	-	-	-	-
Proceeds.....		996	996	-	-	-	-	-	-	-	-	-	-	-

Table 4

DISPOSITION OF INVENTORIES ACQUIRED
UNDER THE PRICE-SUPPORT PROGRAM BY TYPE OF DISPOSITION
FISCAL YEAR 1963

(All Figures in Thousands)

COMMODITY, PERIOD AND ITEM	Unit of Measure	Total Dispositions	Sales for Dollars		Public Law 480 (Export)			Barter (Export) d/	Payment in Kind e/		Transfers to Other Government Agencies		Donations h/
			Domestic a/	Export b/	Title I c/	Title II c/	Title IV c/		Unrestricted Use f/	Export	Domestic g/	Export	
OTHER NONBASIC													
COMMODITIES: (Continued)													
Flaxseed:													
Quantity.....	Bushels	361	361	-	-	-	-	-	-	-	-	-	-
Cost Value.....		\$ 1,070	\$ 1,070	-	-	-	-	-	-	-	-	-	-
Proceeds.....		\$ 953	\$ 953	-	-	-	-	-	-	-	-	-	-
Soybeans:													
Quantity.....	Bushels	56,276	56,276	-	-	-	-	-	-	-	-	-	-
Cost Value.....		\$ 133,990	\$ 133,990	-	-	-	-	-	-	-	-	-	-
Proceeds.....		\$ 138,677	\$ 138,677	-	-	-	-	-	-	-	-	-	-
Turpentine:													
Quantity.....	Gallons	904	904	-	-	-	-	-	-	-	-	-	-
Cost Value.....		\$ 474	\$ 474	-	-	-	-	-	-	-	-	-	-
Proceeds.....		\$ 233	\$ 233	-	-	-	-	-	-	-	-	-	-
Vegetable Oil Products:													
Quantity.....	Pounds	230,606	296	1,047	-	56,063	-	-	-	-	-	52,608	120,592
Cost Value.....		\$ 41,699	\$ 85	\$ 203	-	\$ 9,584	-	-	-	-	-	\$ 9,799	22,028
Proceeds.....		\$ 10,268	\$ 37	\$ 63	-	\$ 10,168	-	-	-	-	-	-	-
TOTAL AGRICULTURAL													
COMMODITIES:													
Cost Value.....		\$ 2,518,010	\$ 448,509	\$ 204,716	\$ 233,953	\$ 103,711	\$ 5,253	\$ 71,521	\$ 106,675	\$ 12,174	\$ 7,741	\$ 293,774	\$ 260,881
Proceeds.....		\$ 2,094,175	\$ 417,624	\$ 166,540	\$ 421,805	\$ 153,657	\$ 9,444	\$ 73,208	\$ 121,016	\$ 7,884	\$ 3,113	-	-
EXCHANGE COMMODITIES:													
Cost Value.....		\$ 98,561	-	-	-	-	-	-	-	-	98,561	-	-
Proceeds.....		\$ 99,662	-	-	-	-	-	-	-	-	99,662	-	-
TOTAL PRICE SUPPORT PROGRAM:													
Cost Value.....		\$ 2,616,571	\$ 448,509	\$ 204,716	\$ 233,953	\$ 103,711	\$ 5,253	\$ 71,521	\$ 106,675	\$ 110,735	\$ 7,741	\$ 293,774	\$ 260,881
Proceeds.....		\$ 2,193,837	\$ 417,624	\$ 166,540	\$ 421,805	\$ 153,657	\$ 9,444	\$ 73,208	\$ 121,016	\$ 107,546	\$ 3,113	-	-

* Denotes negative item, usually resulting from adjustment of prior period transactions or inventory gains.

NOTE: Cost value as reflected in this table represents acquisition cost plus cost of any packaging or processing performed after acquisition.

a/ Includes inventory gains, losses and related recoveries. Also includes quantitative gains and losses in processing operations.

b/ Includes some sales which may be applied subsequently to barter contracts or P. L. 480, Title I authorizations. Any such reclassification will cause downward adjustments in "Sales for Dollars - Export."

c/ Proceeds represent the Corporation's full investment amount charged to the statutory limitation. Investment is computed at values designed to recover for CCC all costs related to these disposals.

d/ Proceeds represent exchange value of strategic or other materials to be delivered under contracts.

e/ Commodities delivered as payment in kind for exportation under P. L. 480 are included in P. L. 480 (Export) Titles I and IV columns and are not included in this column.

f/ Includes sales for payment-in-kind certificates issued under the Feed Grain Program and for eight drafts issued as payments under the Wheat Stabilization Program.

g/ Includes sales to Section 32 at lower of cost or market for distribution to relief or welfare outlets.

h/ Includes donations under Sections 202, 416, and miscellaneous donations under various other authorizations.

i/ Less than five hundred.

j/ Domestic sales include sales of rough rice to processors under conditional contracts providing for repurchase as milled rice by CCC.

k/ Domestic sales represent sales to processors under conditional contracts providing for repurchase as once-refined oil by CCC.

l/ Domestic sales represent sales to processors under contracts providing for the concurrent purchase of an equal quantity of fully-refined cottonseed oil by CCC.

Table 5

TOBACCO PRICE-SUPPORT LOAN ACTIVITY FOR FISCAL YEAR 1963

Type	Loans Outstanding July 1, 1962		Loans Made July 1, 1962 Through June 30, 1963		Liquidation of Loan Collateral		Loans Outstanding June 30, 1963	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
	:(1,000 lbs):	(\$1,000)	:(1,000 lbs):	(\$1,000)	:(1,000 lbs):	(\$1,000)	:(1,000 lbs):	(\$1,000)
Burley	29,915	23,877	55,856	38,766	1,547	1,528	84,224	61,115
Flue-Cured	344,653	240,544	193,863	157,589	105,737	69,616	432,779	328,517
Other	76,511	40,244	24,706	12,704	8,767	5,147	92,450	47,801
Total	451,079	304,665	274,425	209,059	116,051	76,291	609,453	437,433

1. DOLLAR SALES

(a) Commercial Dollar Sales

Commercial dollar sales accounted for 25% of total CCC dispositions during Fiscal Year 1963, as against 23% of the year before. (See Table 6) Dollar sales under the CCC Export Credit Sales Program more than doubled over Fiscal Year 1962. (See Table 7.)

Commodities most frequently purchased under CCC credit are corn, wheat, grain sorghums, and barley. Domestic dollar sales of cotton, corn, wheat, grain sorghums, rice, and barley were down but domestic dollar sales of peanuts, cheese, nonfat dry milk, dry edible beans, flaxseed, soybeans, and turpentine increased. Dollar sales for export of corn, cotton, wheat, nonfat dry milk, butter, grain sorghums and dry edible beans showed sizeable gains.

Overall commercial dollar sales were about 11% below Fiscal Year 1962.

(b) Dollar Credit Sales Under Title IV, PL 480 Sales Agreements

Title IV of Public Law 480 provides for long-term supply and dollar credit sales of U. S. surplus agricultural commodities. Major objectives of this title are to stimulate and increase the sale of U. S. surplus agricultural commodities for dollars through the extension of credit which will assist in maximizing U. S. dollar exports of such commodities, develop foreign markets for U. S. agricultural commodities and assist in the development of the economies of friendly nations.

Under Title IV of PL 480, the President may enter into long-term supply and credit agreements with the governments of friendly nations and the Secretary of Agriculture may enter into similar agreements with the U. S. or foreign private trade. Under the legislation, such agreements may provide for delivery of U. S. surplus agricultural commodities over periods up to 10 years. Dollar repayment over periods of up to 20 years is authorized. The interest rate may not exceed the cost of funds to the U. S. Treasury for comparable maturities. Interest is charged on all shipments in each calendar year from the date of last shipment of any commodity under the agreement in such calendar year.

The payment period and interest rate for government-to-government agreements are determined on a case-by-case basis, the general rule being that the payment period and interest rate are set in relation to the country's financial situation, stage of economic development and other similar factors. In the case of agreements with the U. S. or foreign private trade, the payment period is set in relation to the specific projects to be undertaken by the private entity and the interest rate is set at the cost of funds to the U. S. Treasury for comparable maturities.

Commodities supplied under the agreements are for domestic consumption within the country to which exported and the agreements include provisions against transshipment or reexport of the commodities supplied under the agreements as well as appropriate limitations on exports of the same or like commodities. Title IV sales programs also include appropriate provision to assure maintenance of U. S. commercial sales of the agri-

cultural commodities being supplied under the Title IV agreement and to assure that supplying commodities under the Title IV agreement will not unduly disrupt world prices of these commodities or normal patterns of commercial trade with friendly countries.

As a general rule, Title IV government-to-government agreements include a formal understanding that the two governments must agree on the use of the local currency proceeds from the sale of commodities under the agreement. Mutually approved uses of sales proceeds in agreements already signed include economic and social development programs and activities such as the provision of supervised agricultural credit for small farmers and financing of economic development undertakings in both the public and private sectors. In a number of instances, the agreements provide that the sales proceeds shall be used for projects which will further the development of markets for U. S. agricultural commodities. Examples of the latter are the construction of storage, processing and distribution facilities for agricultural commodities.

The basic program provisions applicable to Title IV private trade agreements were issued in July 1963. They provide for emphasis to be placed and preference to be given to agreements with U. S. or foreign private trade entities which will further the development of markets for U. S. agricultural commodities. Financing of other private sector economic development undertakings is also possible. In all instances, a Title IV private trade agreement would provide that the credit extended, in the form of the local currency proceeds from the sale of U. S. surplus agricultural commodities supplied under the Title IV agreement, must be used only for projects or undertakings specified in the agreement. A substantial number of proposals for agreements with the private trade are under active consideration but, as of March 1964, no agreements have been entered into.

From the date the first Title IV government-to-government agreement was signed in August 1961 through December 1963, a total of 33 agreements and amendments to such agreements have been entered into with the governments of 17 countries, providing for the export financing of surplus agricultural commodities valued at \$176 million including applicable ocean transportation costs. All but approximately \$6 million of the total is composed of CCC price-supported commodities. About 20 percent of the value of the commodities exported under the Title IV program through December 1963 came out of CCC stocks. The total market value of commodities exported under these agreements, including applicable ocean transportation costs through December 1963 was approximately \$95 million. Through the same date, dollar repayments by foreign governments have totaled \$2.3 million, of which \$1.5 million represented amortization of principal amounts financed by CCC and \$0.9 million was interest.

The export market value of commodities and applicable ocean transportation costs included in Title IV agreements or amendments to agreements entered into during Fiscal Year 1963 is estimated at \$87.2 million. This compares with a total of \$56.7 million in Fiscal Year 1962. Exports of commodities under all Title IV government-to-government agreements totaled \$63.2 million in Fiscal Year 1963 compared with \$20.7 million in Fiscal Year 1962.

Table 6

DISPOSITIONS OF CCC INVENTORIES ACQUIRED UNDER
PRICE-SUPPORT PROGRAMS DURING THE YEAR ENDING JUNE 30, 1963

DISPOSITION METHOD	DISPOSITIONS	PERCENT OF TOTAL DISPOSITIONS <u>1/</u> <u>2/</u>	
(Cost Value in 1,000 Dollars)			
Sales for dollars			
Domestic	448,509	17	
Export	<u>204,716</u>	<u>8</u>	
Total	653,225	25	
Public Law 480			
Title I	233,953	9	
Title IV	<u>5,253</u>	-	<u>3/</u>
Barter	71,521	3	
Payment-in-Kind			
(a) Unrestricted use	769,102	30	
(b) P.I.K. Export	<u>106,675</u>	<u>4</u>	
Total	875,777	34	
Transfers			
Domestic	110,735	4	
Export	<u>7,741</u>	-	<u>3/</u>
Donations			
Domestic	293,774	11	
Export, including Title II	<u>364,592</u>	<u>14</u>	
of Public Law 480			
Total	658,366	25	
TOTAL	2,616,571	100	

1/ Fiscal year 1963

2/ Rounded to nearest percent

3/ Less than five tenths of one percent

TABLE 7

SALES OF CCC COMMODITIES UNDER THE CCC EXPORT CREDIT SALES PROGRAM

<u>COMMODITY</u>	<u>3/56 - 6/30/61</u>	<u>7/1/61 - 6/30/62</u>	<u>7/1/62 - 6/30/63</u>	<u>3/30/56-6/30/63</u> <u>CUMULATIVE TOTAL</u>
Barley	\$ 257,019	\$ —	\$ 1,137,498	1,394,517
Beans	1,947,625	—	—	1,947,625
Corn	20,862,384	18,367,588	28,599,778	67,829,750
Cotton	361,111	—	—	361,111
Dry Milk	1,383,076	12	—	1,383,088
Feed Grains	25,194,636	4,956,094	15,666,039	45,816,769
Grain Sorghums	6,449,532	737,632	5,994,650	13,181,814
Gum Rosin	310,300	—	—	310,300
Oats	—	—	188,624	188,624
Peanuts	—	—	—	—
Rice	2,104,824	—	—	2,104,824
Rye	—	—	—	—
Tobacco	2,712,947	20,850	8,038,112	10,771,909
Wheat	<u>14,252,395</u>	<u>8,865,323</u>	<u>16,544,897</u>	<u>39,662,615</u>
TOTALS	\$75,835,849	\$32,947,499	\$76,169,598	\$184,952,946

2. PAYMENT-IN-KIND PROGRAMS

(a) Feed Grain Program:

Sales of feed grains under this program accounted for 30% of total CCC dispositions during Fiscal Year 1963. (See Table 6) This program was designed to cut back production of feed grains (thereby reducing CCC costs and costs to the taxpayer) but at the same time also assure feed grain producers improved farm income. The program provides for the voluntary reduction of feed grain acreage from the 1959-60 base. Producers who make the reductions will receive payments for diverting the acreage to conservation uses and will also qualify for price support. Cooperators who make the necessary acreage reductions may be issued certificates which may be redeemed in feed grains or the cooperators may designate CCC as their agent to market their certificates. Non-cooperators are not eligible for price support. Through sale of certificates, rights CCC recovers the money paid to producers. Redemptions of certificate rights during the marketing year were made at market prices and are not subject to Section 407 of the Agricultural Act of 1949 which requires that CCC not sell for unrestricted use any basic agricultural commodity or storable non-basic commodity at less than five percent above the current support price plus reasonable carrying charges.

(b) Export Payment-in-Kind Programs:

Dispositions under these programs accounted for 4% of the total CCC sales and dispositions during Fiscal Year 1963. (See Table 6) This is about one half as much as last year. The reduction results from the fact that U. S. feed grains were fully competitive in world markets and required no export payment allowances. Quantities of commodities from commercial stocks earning payment-in-kind certificates and quantities of commodities redeemed from CCC stocks since inauguration of the payment-in-kind programs through June 30, 1963 are shown in Table 8.

TABLE 8

COMMODITY	: Beginning Date of Payment-in- Kind Program	: Unit	: Quantities from Commercial Stocks Earning PIK Certificates	: Quantities Redeemed from CCC Stocks
Wheat	Sept. 4, 1956	Bu.	2,877,335	756,099
Corn	May 12, 1958	Bu.	463,280	125,565
Barley	July 1, 1958	Bu.	242,374	45,006
Oats	July 1, 1958	Bu.	71,414	9,070
Grain Sorghums	July 1, 1958	Bu.	271,835	54,421
Rye	July 1, 1958	Bu.	16,946	8,297
Rice	Dec. 15, 1958	Cwt.	58,208	6,237
Cotton	May 29, 1958	Bales	22,171 ^{a/}	5,597
Nonfat Dry Milk	March 6, 1962	Lbs.	91,386	503

^{a/} Includes undetermined but substantial quantity purchased from CCC for unrestricted use.

3. BARTER

Barter transactions accounted for approximately three percent of CCC dispositions during Fiscal Year 1963, a reduction of 68% of last year's total. (See Table 6.)

Changes in the barter program as the result of Presidential approval of recommendations resulting from a study of the overall stockpiling program have recently been announced. It is anticipated that emphasis will be shifted from the acquisition of strategic and critical materials to procurements for other Government agencies. To a greater extent than before, strategic material barterers will support such national objectives as helping to assist less developed countries.

In spite of the overall reduction of barter dispositions, there was an increase in corn, wheat and nonfat dry milk bartered this year over last year.

4. SALES FOR FOREIGN CURRENCIES

Title I sales are largely from privately-owned stocks and thus represent a negligible percentage of CCC's total dispositions. The quantities and values shown in Table 4 under PL-480 Title I column represents amounts of commodities redeemed by certificates earned under payment-in-kind programs for exportation of commodities shipped under Title I, PL-480 except where the commodity is not subject to a payment-in-kind program.

5. TRANSFERS AND DONATIONS

Transfers from CCC inventories to other U. S. government agencies and donations of surplus commodities for domestic and foreign use accounted for approximately 30% of all CCC sales and dispositions. Although transfers were below those of the previous year, domestic and export donations increased by approximately \$80 million.

PART II

THE METHODS OF DISPOSITION TO BE UTILIZED AND THE ESTIMATED QUANTITIES

THAT CAN BE SOLD OR DISPOSED OF DURING THE SUCCEEDING TWELVE MONTHS

The methods of sales and dispositions to be utilized and the estimated quantities that can be moved during the succeeding 12 months in 1963-64 are given in tables on pages 18 through 41 . These tables also reflect the estimated inventories as of June 30, 1964.

EXPLANATION OF COMMODITY TABLES

Line 1 of each commodity table shows the CCC inventory for that commodity as of June 30, 1963.

Line 2 gives the estimated amount of the commodity which will come into CCC inventory between July 1, 1963 and June 30, 1964.

Line 3 is the sum of lines 1 and 2 and shows the total CCC supplies expected to be available for sale or other disposition during the year-July 1, 1963 through June 30, 1964.

The estimated sales and dispositions through the various methods described in Part I and Appendix I for the Fiscal Year 1964 are given in lines under item 4. A word of explanation is offered concerning dollar sales (line 4 A) and payment-in-kind dispositions. Dollar sales estimates, whether export or domestic, are limited to sales from CCC stocks. Quantities shown for payment-in-kind dispositions likewise come from CCC stocks, but they represent the estimated value of redeemed certificates which will be earned on the export of commodities primarily from commercial rather than from CCC stocks.

Although the tables show sales under Title I these sales are really payment-in-kind dispositions as far as PIK commodities are concerned. They are listed under Title I for reimbursement purposes.

Dispositions under item 4 are all made from CCC stocks.

Line 5 shows the estimated remaining CCC inventory as of June 30, 1964.

The United States Code citations for the various legal authorities briefly cited in these tables are as follows:

P. L. 480, Title I	7 U. S. C. 1701-1709
P. L. 480, Title II	7 U. S. C. 1721-1724
P. L. 480, Title IV	7 U. S. C. 1731-1736
Section 407	7 U. S. C. 1427
Section 416	7 U. S. C. 1431
Section 202	7 U. S. C. 1446a
Section 402	22 U. S. C. 1922
Section 32	7 U. S. C. 612c

COTTON

	(Bales)	
	Upland	Extra Long Staple
1. CCC Inventory 6/30/63	4,135,721	15,865
2. Takeover 7/1/63 - 6/30/64	4,721,861	21,135
3. Total available for sale or other disposition during F. Y. 1964 (Line 1 plus line 2)	8,857,582	37,000
4. Estimated Dispositions from CCC Inventory 7/1/63 - 6/30/64		-
A. Dollar Sales		
1. Unrestricted use (both export and domestic)	2,477,582	-
B. P. L. 480		
1. Title I	960,000	-
2. Title IV	320,000	-
C. Barter	250,000	-
D. Total Dispositions	4,007,582	-
5. Estimated CCC Inventory 6/30/64	4,850,000	37,000

WHEAT

	(Bushels)
1. CCC Inventory 6/30/63	1,082,464,091
2. Takeover 7/1/63 - 6/30/64	102,151,569
3. Total available for sale or other disposition during F. Y. 1964 (Line 1 plus line 2)	1,184,615,660
4. Estimated Disposition from CCC Inventory 7/1/63 - 6/30/64	
A. Dollar Sales	
1. Export	15,000,000
2. Domestic	200,115,660
B. Payment-in-Kind	
1. Domestic	44,000,000
2. Export	70,700,000
C. P. L. 480	
1. Title I	95,000,000
2. Title II	25,000,000
3. Title IV	5,000,000
D. Barter	30,000,000
E. Other (IWA)	34,300,000
F. Transfers to Government Agencies - Export	1,000,000
G. Donations	
1. Export - Sec. 416	4,500,000
2. Other (Research)	-
H. Total Dispositions	524,615,660
5. Estimated CCC Inventory 6/30/64	660,000,000

WHEAT FLOUR

	(Pounds)
1. CC Inventory 6/30/63	-
2. Takeover 7/1/63 - 6/30/64	2,215,000,000
3. Total available for sale or other disposition during F. Y. 1964 (Line 1 plus line 2)	2,215,000,000
4. Estimated Dispositions from CCC Inventory 7/1/63 - 6/30/64	
A. Dollar Sales	
1. Export	
2. Domestic	
B. P. L. 480	
1. Title I	
2. Title II	375,000,000
3. Title IV	
C. Barter	
D. Transfers	
1. Export Sec. 402 (ICA)	
2. Domestic Sec. 32	
E. Donations	
1. Export Sec. 416	1,290,000,000
2. Domestic Sec. 416	550,000,000
F. Emergency Feed	
G. Total Dispositions	2,215,000,000
5. Estimated CCC Inventory 6/30/64	2,215,000,000

ROLLED WHEAT

(Pounds)

1. CCC Inventory 6/30/63	-
2. Takeover 7/1/63 - 6/30/64	128,000,000
Total available for sale or other	
3. disposition during F. Y. 1964 (Line 1 plus line 2)	128,000,000
4. Estimated Dispositions from CCC Inventory 7/1/63 - 6/30/64	
A. Dollar Sales	
1. Export	
2. Domestic	
B. P. L. 480	
1. Title I	
2. Title II	6,000,000
3. Title IV	
C. Barter	
D. Transfers	
1. Export Sec. 402 (ICA)	
2. Domestic Sec. 32	
E. Donations	
1. Export Sec. 416	37,000,000
2. Domestic Sec. 416	85,000,000
F. Emergency Feed	-
G. Total Dispositions	128,000,000
5. Estimated CCC Inventory 6/30/64	-

BULGUR

(Pounds)

1. CCC Inventory 6/30/63	4,854,112
2. Takeover 7/1/63 - 6/30/64	351,145,888
3. Total available for sale or other disposition during F. Y. 1964 (Line 1 plus line 2)	356,000,000
4. Estimated Dispositions from CCC Inventory 7/1/63 - 6/30/64	
A. Dollar Sales	
1. Export	
2. Domestic	
B. P. L. 480	
1. Title I	
2. Title II	70,000,000
3.. Title IV	
C. Barter	
D. Transfers	
1. Export Sec. 402 (ICA)	
2. Domestic Sec. 32	
E. Donations	
1. Export Sec. 416	280,000,000
2. Domestic	6,000,000
F. Emergency Feed	
G. Total Dispositions	356,000,000
5. Estimated CCC Inventory 6/30/64	-

CORN

(Bushels)

1. CCC Inventory 6/30/63	492,124,265
2. Takeover 7/1/63 - 6/30/64	433,000,000
3. Total available for sale or other disposition during F. Y. 1964 (Line 1 plus line 2)	925,124,265
4. Estimated Dispositions from CCC Inventory 7/1/63 - 6/30/64	
A. Dollar Sales	
1. Export	35,000,000
2. Domestic	125,000,000
B. Payment-in-Kind	
1. Domestic (Special Feed Grain Program)	231,324,265
2. Export	10,000,000
C. P. L. 480	
1. Title I	15,000,000
2. Title II	6,800,000
3. Title IV	6,000,000
D. Barter	20,000,000
E. Other (Wildlife Feed)	
F. Donations	
1. Export Sec. 416	1,000,000
2. Domestic	
G. Total Dispositions	450,124,265
5. Estimated CCC Inventory 6/30/64	475,000,000

CORNMEAL

(Pounds)

1. CCC Inventory 6/30/63	-
2. Takeover 7/1/63 - 6/30/64	616,500,000
3. Total available for sale or other disposition during F. Y. 1964 (Line 1 plus line 2)	616,500,000
4. Estimated Dispositions from CCC Inventory 7/1/63 - 6/30/64	
A. Dollar Sales	
1. Export	
2. Domestic	
B. P. L. 480	
1. Title I	
2. Title II	6,500,000
3. Title IV	
C. Barter	
D. Transfers	
1. Export Sec. 402 (ICA)	
2. Domestic Sec. 32	
E. Donations	
1. Export Sec. 416	410,000,000
2. Domestic Sec. 416	200,000,000
F. Emergency Feed	
G. Total Dispositions	616,500,000
5. Estimated CCC Inventory 6/30/64	-

GRAIN SORGHUMS

	(Bushels)
1. CCC Inventory 6/30/63	633,412,519
2. Takeover 7/1/63 - 6/30/64	154,000,000
3. Total available for sale or other disposition during F. Y. 1964 (Line 1 plus line 2)	787,412,519
4. Estimated Dispositions from CCC Inventory 7/1/63 - 6/30/64	
A. Dollar Sales	
1. Export	15,000,000
2. Domestic	5,912,519
B. Payment-in-Kind	
1. Domestic (Special Feed Grain Program)	130,000,000
2. Export	5,000,000
C. P. L. 480	
1. Title I	1,200,000
2. Title II	2,000,000
3. Title IV	300,000
D. Barter	8,000,000
E. Donations - Domestic 407	
F. Total Dispositions	167,412,519
5. Estimated CCC Inventory 6/30/64	620,000,000

BARLEY

	(Bushels)
1. CCC Inventory 6/30/64	46,975,637
2. Takeover 7/1/63 - 6/30/64	18,000,000
3. Total available for sale or other disposition during F. Y. 1964 (Line 1 plus line 2)	64,975,637
4. Estimated Dispositions from CCC Inventory 7/1/63 - 6/30/64	
A. Dollar Sales	
1. Export	4,000,000
2. Domestic	5,975,637
B. Payment-in-Kind	
1. Exports	6,500,000
2. Domestic (Special Feed Grain Program)	2,000,000
C. P. L. 480	
1. Title I	5,500,000
2. Title II	
3. Title IV	
D. Barter	1,000,000
E. Total Dispositions	24,975,637
5. Estimated CCC Inventory 6/30/64	40,000,000

OATS

	(Bushels)
1. CCC Inventory 6/30/63	18,623,062
2. Takeover 7/1/63 - 6/30/64	9,500,000
3. Total available for sale or other disposition during F. Y. 1964 (Line 1 plus line 2)	28,123,062
4. Estimated Dispositions from CCC Inventory 7/1/63 - 6/30/64	
A. Dollar Sales	
1. Export	
2. Domestic	
B. Payment-in-Kind - Domestic (Special Feed Grain Program)	15,123,062
C. Total Dispositions	15,123,062
5. Estimated CCC Inventory 6/30/64	13,000,000

RYE

	(Bushels)
1. CCC Inventory 6/30/63	1,563,326
2. Takeover 7/1/63 - 6/30/64	1,800,000
3. Total available for sale or other disposition during F. Y. 1964 (Line 1 plus line 2)	3,363,326
4. Estimated Dispositions from CCC Inventory 7/1/63 - 6/30/64	
A. Dollar Sales	
1. Export	
2. Domestic	500,000
B. PIK Export	1,563,326
C. Total Dispositions	2,063,326
5. Estimated CCC Inventory 6/30/64	1,300,000

RICE

(Hundredweight)

	ROUGH	MILLED
1. CCC Inventory 6/30/63	1,796,161	14,029
2. Takeover 7/1/63 - 6/30/64	6,742,838	1,595,971
3. Total available for sale or other disposition during F. Y. 1964 (Line 1 plus line 2)	8,538,999	1,610,000
4. Estimated Dispositions from CCC Inventory 7/1/63 - 6/30/64		
A. Dollar Sales		
1. Export		
2. Domestic	1,000,000	
B. Payment-in-Kind		
1. Commercial Exports	400,000	
C. P. L. 480	350,000	
1. Title I	350,000	
2. Title IV	88,999	
D. Barter		
E. Donations		
1. Export		
2. Domestic - Sec. 416		1,510,000
F. Total Dispositions	1,838,999	1,510,000
5. Estimated CCC Inventory 6/30/64	6,700,000	100,000

DRY EDIBLE BEANS

(Hundredweight)

1. CCC Inventory 6/30/63	1,167,649
2. Takeover 7/1/63 - 6/30/64	1,450,000
3. Total available for sale or other disposition during F. Y. 1964 (Line 1 plus line 2)	2,617,649
4. Estimated Dispositions from CCC Inventory 7/1/63 - 6/30/64	
A. Dollar Sales	
1. Export	614,450
2. Domestic	134,429
B. P. L. 480	
1. Title I	20,000
2. Title II	
3. Title IV	
C. Donations	
1. Export - Sec. 416	770
2. Domestic - Sec. 416	790,000
D. Total Dispositions	1,559,649
5. Estimated CCC Inventory 6/30/64	1,058,000

SOYBEANS

	(Bushels)
1. CCC Inventory 6/30/63	3,181,807
2. Takeover 7/1/63 - 6/30/64	1,949,801
3. Total available for sale or other disposition during F. Y. 1964 (Line 1 plus line 2)	5,131,608
4. Estimated Dispositions from CCC Inventory 7/1/63 - 6/30/64	
A. Dollar Sales	
1. Export	
2. Domestic	5,131,608
B. Barter	
C. Total Dispositions	5,131,608
5. Estimated CCC Inventory	-

FLAXSEED

	(Bushels)
1. CCC Inventory 6/30/63	5,327,184
2. Takeover 7/1/63 - 6/30/64	3,500,000
3. Total available for sale or other disposition during F. Y. 1964 (Line 1 plus line 2)	8,827,184
4. Estimated Dispositions from CCC Inventory 7/1/63 - 6/30/64	
A. Dollar Sales	
1. Export	5,327,184
2. Domestic	
B. P. L. 480	
1. Title I	
2. Title II	
3. Title IV	
C. Barter	
D. Transfers	
1. Export - Sec. 402 (ICA)	
2. Domestic - Sec. 32	
E. Donations	
1. Export P. L.	
2. Domestic	
F. Emergency Feed	
G. Total Dispositions	5,327,184
5. Estimated CCC Inventory 6/30/64	3,500,000

VEGETABLE OIL PRODUCTS

	(Pounds)
1. CCC Inventory 6/30/63	17,362,311
2. Takeover 7/1/63 - 6/30/64	100,000,000
3. Total available for sale or other disposition during F. Y. 1964 (Line 1 plus line 2)	117,362,311
4. Estimated Dispositions from CCC Inventory 7/1/63 - 6/30/64	
A. Dollar Sales	
1. Export	
2. Domestic	
B. P. L. 480	
1. Title I	
2. Title II	50,000,000
3. Title IV	
C. Barter	
D. Transfers	
1. Export - Sec. 402 (ICA)	
2. Domestic - Sec. 32	
E. Donations	
1. Export - Sec. 308 (Oils)	42,362,311
2. Domestic - Sec. 416	
F. Emergency Feed	
G. Total Dispositions	92,362,311
5. Estimated CCC Inventory 6/30/64	25,000,000

COTTONSEED OIL, REFINED

	(Pounds)
1. CCC Inventory 6/30/63	1,267,537
2. Takeover 7/1/63 - 6/30/64.	
3. Total available for sale or other disposition during F. Y. 1964 (Line 1 plus line 2)	
4. Estimated Dispositions from CCC Inventory 7/1/63 - 6/30/64	
A. Dollar Sales	
1. Export	
2. Domestic	
B. P. L. 480	
1. Title I	
2. Title II	1,267,537
3. Title IV	
C. Barter	
D. Transfers	
1. Export - Sec. 402 (ICA)	
2. Domestic - Sec. 32	
E. Donations	
1. Export - Sec. 308 (Oils)	
2. Domestic	
F. Emergency Feed	
G. Total Dispositions	1,267,537
5. Estimated CCC Inventory 6/30/64	-

PEANUTS

	(Pounds)	
	Farmer's Stock	Shelled
1. CCC Inventory 6/30/63	6,936,808	66,944,036
2. Takeover 7/1/63 - 6/30/64	256,000,000	93,000,000
3. Total available for sale or other disposition during F. Y. 1964 (Line 1 plus line 2)	262,936,808	159,944,036
4. Estimated Dispositions from CCC Inventory 7/1/63 - 6/30/64		
A. Dollar Sales		
1. Export	40,000,000	26,000,000
2. Domestic	222,936,808	61,944,036
B. Transfers		
1. Exports - Sec. 402 (ICA)		
2. Domestic - Sec. 32		
C. Processed to Shelled Peanuts		
D. Total Dispositions	262,936,808	87,944,036
5. Estimated CCC Inventory 6/30/64		72,000,000

BUTTER AND BUTTER OIL

	(Pounds)	
	Butter	Butter Oil
1. CCC Inventory 6/30/63	379,845,971	90,958,731
2. Takeover 7/1/63 - 6/30/64	196,000,000	79,500,000
3. Total available for sale or other disposition during F. Y. 1964 (Line 1 plus line 2)	575,845,971	170,458,731
4. Estimated Dispositions from CCC Inventory 7/1/63 - 6/30/64		
A. Dollar Sales		
1. Export	50,000,000	
2. Domestic	500,000	
B. Transfers to Government Agencies		
1. Export	15,000,000	
2. Domestic	91,500,000	
C. Barter	2,000,000	
D. P. L. 480		
1. Title I	10,000,000	
2. Title II	3,000,000	
3. Title IV	10,000,000	
E. Donations		
1. Export - Sec. 416	15,000,000	105,858,731
2. Domestic - Sec. 202	25,000,000	
- Sec. 416	86,545,971	
- Other	2,000,000	
F. Total Dispositions	310,545,971	105,858,731
5. Estimated CCC Inventory 6/30/64	265,300,000	64,600,000

CHEESE AND GHEE

(Pounds)

	Cheese	Ghee
1. CCC Inventory 6/30/63	51,420,373	2,169,883
2. Takeover 7/1/63 - 6/30/64	139,000,000	7,000,000
3. Total available for sale or other disposition during F. Y. 1964 (Line 1 plus line 2)	190,420,373	9,169,883
4. Estimated Dispositions from CCC Inventory 7/1/63 - 6/30/64		
A. Dollar Sales		
1. Export	5,000,000	
2. Domestic	1,000,000	
B. Transfers to Government Agencies - Domestic	78,900,000	
C. P. L. 480		
1. Title I	1,000,000	
2. Title II	2,000,000	
D. Donations		
1. Export		9,169,883
2. Domestic - Sec. 202	3,000,000	
- Sec. 416	55,120,373	
- Other	1,000,000	
E. Total Dispositions	147,020,373	9,169,883
5. Estimated CCC Inventory 6/30/64	43,400,000	

NONFAT DRY MILK

	(Pounds)
1. CCC Inventory 6/30/63	706,775,691
2. Takeover 7/1/63 - 6/30/64	1,060,000,000
3. Total available for sale or other disposition during F. Y. 1964 (Line 1 plus line 2)	1,766,775,691
4. Estimated Dispositions from CCC Inventory 7/1/63 - 6/30/64	
A. Dollar Sales	
1. Export	300,000,000
2. Domestic	30,000,000
B. P. L. 480	
1. Title I	30,000,000
2. Title II	80,000,000
3. Title IV	10,000,000
C. Barter	35,000,000
D. Transfer to Government Agencies - Domestic	94,400,000
E. Donations	
1. Export - Sec. 416	700,000,000
2. Domestic - Sec. 416	104,875,691
3. Other	700,000
F. Total Dispositions	1,384,975,691
5. Estimated CCC Inventory 6/30/64	381,800,000

MILK, FLUID

(Pounds)

1. CCC Inventory 6/30/63	..
2. Takeover 7/1/63 - 6/30/64	610,000,000
3. Total available for sale or other dispositions during F. Y. 1964 (Line 1 plus line 2)	610,000,000
4. Estimated Dispositions from CCC Inventory 7/1/63 - 6/30/64	
A. Dollar Sales	
1. Export	
2. Domestic	
B. P. L. 480	
1. Title I	
2. Title II	
3. Title IV	
C. Barter	
D. Transfers	
1. Export - Sec. 402 (ICA)	
2. Domestic - Sec. 32	
E. Donations	
1. Export P. L.	
2. Domestic - Sec. 202	610,000,000
F. Emergency Feed	
G. Total Disposition	610,000,000
5. Estimated CCC Inventory 6/30/64	..

TURPENTINE

(Gallons)

1. CCC Inventory 6/30/63	826,233
2. Takeover 7/1/63 - 6/30/64	--
3. Total available for sale or other disposition during F. Y. 1964 (Line 1 plus line 2)	826,233
4. Estimated Dispositions from CCC Inventory 7/1/63 - 6/30/64	
A. Dollar Sales	
1. Export	
2. Domestic	826,233
B. Total Dispositions	826,233
5. Estimated CCC Inventory 6/30/64	--

TOBACCO

(Pounds)

1. CCC Inventory 6/30/63	-
2. Takeover 7/1/63 - 6/30/64	22,000,000
3. Total available for sale or other disposition during F. Y. 1964 (Line 1 plus line 2)	22,000,000
4. Estimated Dispositions from CCC Inventory 7/1/63 - 6/30/64	
A. Dollar Sales	
1. Export	
2. Domestic	
B. P. L. 480	
1. Title I	
2. Title II	
3. Title IV	
C. Barter	22,000,000
D. Transfers	
1. Export - Sec. 402 (ICA)	
2. Domestic - Sec. 32	
E. Donations	
1. Export P. L.	
2. Domestic	
F. Emergency Feed	
G. Total Dispositions	22,000,000
5. Estimated CCC Inventory 6/30/64	-

A DETAILED PROGRAM FOR THE EXPANSION OF MARKETS FOR SURPLUS AGRICULTURAL
COMMODITIES THROUGH MARKETING AND UTILIZATION RESEARCH AND IMPROVEMENT
OF MARKETING FACILITIES

This part of the report discusses some recent developments in research that may be of special interest to the Congress.

UTILIZATION RESEARCH AND DEVELOPMENT

The aim of the USDA Utilization Research and Development Program is to expand traditional outlets and to develop new industrial, food, and feed products and processes utilizing the products of American farms, particularly those in surplus. It achieves its objectives through basic research on the chemical, physical, and biological properties of farm products; developmental research on new processes and products; and engineering pilot-plant operations to adapt new laboratory products and processes to commercial practice. These investigations are conducted primarily in Federal facilities consisting of four regional laboratories and ten field stations in the United States. Research is done also through contracts and memoranda of understanding with State Experiment Stations, universities, and industry. Other supporting research is accomplished in research institutions of sixteen countries, in Europe, Asia, and South America through funds generated by the P. L. 480 program (Agricultural Trade Development and Assistance Act of 1954, 83rd Congress, end Session).

Present principal research areas -- including both domestic and foreign laboratories -- are as follows:

Cereal Grains and Forages. Major part of the research effort is devoted to corn and wheat, plus continuing investigations on rice, barley, oats, sorghum, and alfalfa and other forages. Present emphasis is upon development of:

Processes for chemically modifying starches, flours, and whole-grain cereals to make "cereal pulp" for use in paper products.

Dialdehyde starch derivatives, for use particularly in leather-tanning and plastics.

New and improved starch and flour derivatives for use in water-resistant adhesives and coatings, and foamed products.

Economic uses for high amylose starch chemicals and intermediates as textile sizings, protective films, and paper additives.

New food and industrial uses for wheat gluten.

Biological pesticides including insecticides for Japanese beetles, insect attractants, and plant antibiotics.

New and improved food uses for wheat, with increasing emphasis on products designed to meet specific needs of foreign markets.

New cereal products suitable for civilian emergency uses.

New and improved rice processing techniques and rice food products.

New and improved feed products, such as forage juice concentrates and air-classified products, and studies of biologically active constituents of forage products.

Cotton and Wool. Chemical, physical, and mechanical processing research on cotton and wool, and supporting fundamental and exploratory studies of their fiber properties and their modification. Program includes development of:

Stretch and bulky cotton products and processes.

Expanded uses for flame-retardant cotton products.

Improved wash-wear cotton fibers and fabrics.

Improved cotton batting products.

Chemical modifications of cotton to simultaneously impart durable water and oil repellency.

Weather- and rot-resistant finishes for cotton.

Improved cotton processing equipment for blending, for weaving, and for removing short fibers.

Easy-care wool processes (non-shrinking, permanent creases, etc.) for all types of woolen goods such as woven fabrics and knit goods.

New types of yarns and fabrics through physical and chemical modification of the coarser grades of domestic wools.

Chemically modified wool having improved resistance to damage by acids, alkalis, bleaching agents, heat and light.

Fruits and Vegetables. Research to develop fruit and vegetable products that are attractive, economical, nutritive and meet the increasing demand for convenience-in-use, and to develop processes and equipment for manufacture of these products, including:

Commercial adaptation of the UR process for producing dehydrated sweetpotato flakes.

New dehydrated products, techniques, and facilities such as (a) foam-mat drying for fruit and vegetable juices, sauces, purees, and other products; and (b) dry-blanch-dry and puff-drying processes for producing fruit and vegetable products with superior reconstitution properties and high retention of original flavor and color characteristics.

Improved processes for freezing, dehydrofreezing, and dehydrocanning of fruit and vegetable products.

Investigations for improving texture, color, and stability of fermented vegetable products.

Studies to determine the processing qualities of new varieties of fruits, berries, and vegetables.

Oilseeds. Research primarily on soybean, cottonseed, and linseed oils, meals, and related products; investigations also include castor, tung, and selected oilseeds resulting from the new crops screening program. Research stresses new and broadened industrial uses, and seeks to improve food and feed uses. Investigations emphasize development of:

Processes to improve soybean oil for edible purposes; aldehyde acids and other derivatives of soybean oils for industrial uses; feed, food, and industrial uses for soybean meal and protein.

Processes and products utilizing chemically modified monoglycerides from vegetable oils, especially from cottonseed.

Linseed oil derivatives suitable for use in emulsion paints for exterior surfaces, in water-soluble paints, anti-spalling treatment of new concrete roads, and as industrial chemicals.

Industrial chemical derivatives, urethane foams, and animal feed meals from castorseed, plus basic and applied studies for removal of allergenic constituents.

Improved flavor, stability and nutritional properties of peanut-containing food products.

New industrial materials from tung oil, with special emphasis on uses in intumescent fire-protectant paints.

New and Special Plants. Investigations directed to develop compositional data on plants from world-wide sources in an effort to find alternate crops to fill needs not now met by domestic sources, and to develop new and more economic uses for domestic special plants. Includes:

Research on industrial utilization of new oilseeds, particularly on processing of erucic, epoxy, petroselinic, and hydroxyconjugated dienoic acid oils, and the development of chemical derivatives from these sources.

Research on new gum and pulping fiber plants, especially those containing mucilaginous materials and those suitable for use in paper, structural, and related products.

Chemical composition studies of tobacco and tobacco smoke to assist industry in its search for desired qualities in tobacco products.

Improvement of techniques for the processing of sugarcane, sugarbeet, and maple sap, and development of new uses for honey.

Development of new industrial chemicals from pine gum, turpentine, and rosin.

Poultry, Dairy and Animal Products. Development of better and more economic food products from milk, poultry, eggs, and meat, and development of new industrial outlets for fats, hides, and other animal byproducts. Research stresses development of:

Improved products made from meat and poultry, and better processing methods based upon fundamental studies of flavor, tenderness, microbiological activity, and time-temperature-tolerance stability.

New and improved milk products through studies of flavor stability; new concentrated and dried milk products; removal of radionuclides from milk products; and improved cheese-making technology.

New uses for animal fats in specialty synthetic detergents; as industrial chemical intermediates; and in polymers, plastics, resins, and lubricants.

Increased uses for animal hides stressing development of new techniques for unhairing, new processes for imparting improved resistance of leather to deterioration by heat and perspiration, and new and improved tanning procedures.

Dried egg products for use in dry mixes and other convenience foods; better methods for control of Salmonella in egg products.

EXAMPLES OF RECENT UTILIZATION RESEARCH ACCOMPLISHMENTS

A. Wheat, Corn, and Other Cereal Grains

Process Discovered for Making Foamed Plastics from Starch. Rigid plastic foams have been made from starch by a simple process discovered by Department scientists. Key step in the process is the conversion of starch with inexpensive chemicals to liquid polyols that serve as an economical base for foam production by conventional methods. Color, density, dimensional stability, and other properties of the foams are within commercially acceptable ranges. The new products are being evaluated to determine their potential in the rapidly expanding market for rigid foams which is expected to exceed 300 million pounds by 1965. Rigid foams are used for heat insulation alone or as part of a structural member. Another use is as an electrical insulator.

Modern Bulgur Process Preserves Nutrients. The new bulgur process developed by Department scientists, featuring continuous operation at atmospheric pressure, accomplished in commercially available equipment, preserves greater amounts of the heat-sensitive vitamins of wheat than the traditional open-pot boiling methods used for centuries in Near and Middle Eastern Countries. The new process is presently used for approximately 20 percent of the U.S. bulgur production -- now being produced at the rate of 600,000,000 pounds per year. High-temperature short-time soaking and cooking procedures retain from 75 to 95% of the major B-vitamins of the wheat kernel, an important dietary source of these factors. Preservation of high food values is particularly important

in view of the use of bulgur in domestic and foreign school lunch programs and in growing export markets. Wide acceptance of bulgur abroad has resulted in a five-fold increase in overseas shipments during fiscal year 1963 compared to the preceding year.

B. Wool

WURLAN Treatment of Wool Top. The WURLAN shrink-resist treatment for wool fabrics developed by Department scientists is now in commercial use. Further Department research has recently demonstrated how wool may be WURLANized at the top stage, before it is spun into yarn. This development, now in the pilot plant stage, should make possible WURLANized knit goods. It is not feasible to treat knit goods directly because the loose open structure undergoes distortion during the manipulations that are successfully used to WURLANize woven fabric. The extension of the WURLAN process to wool top and thus to knit goods will help regain markets that have been dominated by synthetic products in recent years.

C. Cotton

Commercialization of Stretch Cottons Advancing Rapidly. Consumer demand for stretch and bulked textiles in both wearing apparel and industrial applications is increasing rapidly. Research conducted by the Department on imparting stretch and bulkiness to cotton products using various chemical and mechanical processes is contributing significantly toward opening up new markets for cotton in this area. Reliable estimates place the potential for stretch cottons at a figure comparable to that of wash-wear fabrics which are now utilizing over a million bales of cotton annually. At least nine finishers in the United States are in commercial production of cotton stretch fabrics by one of the processes (slack mercerization), and several other companies are preparing samples on a pilot-plant scale. Most of the production is going into apparel, but upholstery, slip cover material and coated fabrics are also being produced. Interest is also being shown in slack mercerized yarn for stretch knit goods. Two manufacturers of men's hose are producing experimental all-cotton stretch hose by slack mercerizing a very loosely knit hose. A number of companies are also investigating the possibility of producing cotton stretch products by several other approaches studies by Department researchers.

Improved Cotton Batting Now Undergoing Commercial Evaluation. Excellent chemically-treated cotton batts having improved dimensional stability, cohesiveness and resilience have been developed and produced experimentally on a pilot-plant scale by Department scientists in cooperative research with the National Cotton Batting Institute, Textile Waste Association, National Cottonseed Products Association, and the Foundation for Cotton Research and Education (affiliated with the National Cotton Council of America). Molded cotton batting products also have been made which appear promising for applications in head liners, bucket seats, and crash pads in the automobile industry, and as padding in contoured furniture. These developments should make it possible for cotton batting to better meet the serious competition of polyurethane foams and foam rubber in padding applications and in mattresses. Two commercial plants have installed pilot lines for the production of the new cotton batting and eight additional companies are contemplating the installations of

pilot lines. Tests on auto seat cushions at two major automobile manufacturers have shown that the cotton batting at the present stage of development substantially meets their requirements for cushioning materials. Sample mattresses made with the batting are currently undergoing evaluation. These uses will broaden profitable outlets for byproducts from manufacture of cotton textiles and for cotton linters.

D. Dairy Products

Cost of Manufacturing Non-Fat Dry Milks Reduced. A new process for drying non-fat milk, developed from ARS research, produces an instant type dry milk powder with an appreciable reduction in the cost of manufacture. Development of foam spray drying, and in cooperation with industry, of new vacuum concentrators, is making possible the removal of more water in the concentrator than heretofore, thus leaving less to be vaporized in the atmospheric dryer. The new process, which can be done in commercially available equipment, reduces costs and substantially increases dryer capacity. Widespread interest in the Department's novel process is being shown by manufacturers of dry milks and equipment manufacturers.

E. Animal Fats

New Method Developed for Preparing Potentially Valuable Fat Compound.

A new method for preparing gamma-stearolactone, a potentially valuable fat-based compound, has been developed from ARS research. While this compound has been known for many year, methods for its preparing were tedious and the yields obtained low, so that it offered little potential as a low-cost chemical intermediate. By the new procedure it can be prepared readily from oleic acid (an important component of animal fats) in high yield and purity and should be competitive with other materials used in this field. No special equipment needs are anticipated for its' manufacture. Because of its high order of reactivity, gamma-stearolactone should prove useful in the polymer, lubricant and plasticizer fields. It is planned also to investigate this compound as a reactive intermediate for preparing other potentially valuable compounds.

EXPANDING DOMESTIC MARKETS

A. Market Potentials for New Products and New Uses

Market potentials research supplies economic research and service in the overall Department research program on new products, new crops, and new uses to maintain and expand markets for farm products and their derivatives. This research aids in the commercial development of new products and new uses in food and industrial markets through evaluations of economic feasibility and potentials. In addition, guides for further research are provided through appraisal of end use requirements with respect to (1) needs that may be met through new or improved products or derivatives, and (2) the competitive conditions of price, properties availability and costs of raw materials. Research is conducted cooperatively with the four Utilization Research and Development Divisions, which enables the Department to evaluate economic as well as technical factors, to guide and hasten decisions with respect to commercial adoption of products developed by the Department.

Past research has helped in expanding markets for such products as potatoes, apples, fats and oils, and rice through commercialization of new products or the provision of market development guides to enhance potentials. Economic growth benefits have resulted in the form of increased consumption, new plant investments, and new job opportunities. Current work is progressing in a number of commodity areas which offer promise for market growth or improvement for producers and distributors of agricultural products.

Dairy

In view of declining per person consumption of milkfat, work is underway to assess the market penetration of low-fat (two-percent milk), its impact on total sales, and its potential for increasing consumption. Preliminary results of a survey of milk dealers indicate this type of product has played a significant role in increases heretofore reported for skim milk sales. Low-fat milk is apparently more widely retailed than had been supposed. Detailed analyses are underway to define the potential for this product in recouping consumption losses.

Wool

Market research was conducted to evaluate the potential application and sales impact of machine launderability of the new shrink resistant "Wurlanized wool." Results indicate that a number of apparel items would benefit such as men's and boys' sweaters, knit jackets, and jerseys; wool hosiery; lightweight, single ply all wool fabric jackets, particularly for boys; boys' trousers for school and sportswear; and women's slacks, shirts, blouses, skirts, sweaters, jerseys, and cardigans. Launderability in children's wool apparel would be an important selling point in most items.

Leather

Synthetics have been substituted for leather in a number of uses. Market research to appraise the probable extent of this competition and means by which leather may better serve market requirements reveals that leather stands in a precarious position. Shoes, luggage, handbags, and a number of other products, once made chiefly from leather are being made in increasing quantities from non-leather material. Leather is striking back through technological improvements aimed at lowering cost and improving quality. Leather's hope lies in the achievement through research of major technological gains in the form of new products and more efficient use of hide raw materials.

Oilseeds

Markets for modified edible fats and oils products in four specific food fat and oil areas of application were studied--emulsifiers, confectionery fats, protective coatings for fresh foods, and edible lubricants. Improved emulsifiers probably would not extend fats and oils but could lead to better marketing conditions and higher quality end products. Improved confectionery fats could largely displace cocoa butter, and improved protective coatings for food items can meet needs not now fulfilled. Modest increases may also come from improved food lubricants for baking and confectionery purposes. Gains in the last three areas of application could approximate 75 million pounds of fats and oils per year within the next 5 years.

Grain

(1) Adhesives have traditionally been farm derived products but synthetics have taken more and more jobs away from them. Study of technical and economic factors indicate that farm derived adhesives have many advantageous characteristics, such as low cost, ready availability, nontoxicity, and ease of handling. Nevertheless, farm produced raw materials need to be modified to give them more of the performance characteristics of the synthetics so they can compete more effectively.

(2) Research is underway to determine the possibilities through freezing of reducing marketing costs for bread which have increased rapidly over the past 15 years. The first step has been a survey of about 500 bakers to collect information on bakery operations and the present and probable role of freezing. Nearly 40 percent of the bakers currently are freezing some of their production. The outlook appears to be one of continuing growth. Many bakers see freezing as a means of increasing sales by offering a wider variety of and fresher quality products at lower cost than without freezing. Other factors favoring increased use of freezing are: (1) The increased use of frozen foods in general, (2) freezing enables "freshness" to be retained longer for the consumer, and (3) the potential cost reduction possibilities offered by freezing through more effective scheduling of baking time.

(3) A study of rice distribution patterns for the 1960-61 and 1961-62 crop years has been carried out to provide basic market data to assist the industry in improving distribution efficiency through more detailed knowledge of markets. In the 1961-62 marketing year, rice millers and repackagers reported the distribution of 15.8 million hundredweight in the domestic continental market for all uses. This is a gain of 3.3 million hundredweight or about 26 percent over total distribution for the same uses reported in 1956-57. Excluding use in beer, per capita distribution of milled rice amounted to 7.0 pounds in 1961-62 as compared to 5.8 pounds in 1956-57. A number of States registered gains over the previous period, indicating consumption is increasing in areas where little rice had previously been used. Industry-wide promotion efforts, coupled with new product introductions, appear to be important factors in expanding the domestic rice market.

(4) An economic evaluation is being made of the most promising new market possibilities for starch, the primary material in grain use-ful in expansion of industrial markets. So far, starch has been proposed as a raw material for: (1) A series of high specific gravity compounds potentially efficient as solvents, (2) in carbonated form as a shrink preventative and preservative for concrete, (3) cationic compounds for use in various chemical operations, and (4) frozen for changed gel and paste characteristics with potential use in selective separation of materials in ore and petroleum refining.

Vegetables

Sweetpotato flakes, a new convenience product developed by the Southern Utilization Research and Development Division, could help the declining market position of sweetpotatoes. Market research results to-date indicate a favorable reaction to the new product by restaurants and other types of institutional outlets. However, for the new product to influence consumption and ultimately prices and production it must be promoted and distributed on a national scale. This is occurring. In the spring of 1962, one firm processed sweetpotato flakes; today, there are two, and at least two more commercial plants are under construction. With the successful introduction of sweetpotato flakes in the institutional market, research to investigate the potential of the product in retail food store outlets is now underway.

Freeze Drying

The freeze-drying process for preserving foods is a new technology just reaching commercial volumes of production. Potentially this new industry, presently less than \$5 million in size, could grow to a quarter-billion dollar industry by the end of the decade. Cost reductions are important to aid growth, and economic research has indicated that costs can be materially reduced in large scale operations down to about 4-1/2 cents per pound of water removed compared with 17 cents in small scale operations.

B. Merchandising and Promotion

A study was initiated in March 1963 in cooperation with the American Dairy Association to determine the impact of increased levels of promotional expenditures on sales of fluid milk. The levels of expenditures being tested on an annual basis are: 15 cents per capita above present levels and 30 cents per capita above present levels. Present levels of expenditures are being used as a control. The study is being conducted in 6 major market areas and is to run for a period of 2 years, ending February 1965. In addition to sales data, information is being obtained in each market on employment, school enrollment, and selected merchandising practices for fluid milk and ice cream in a sample of food stores.

In a controlled experiment in cooperation with the National Broiler Council, total broiler sales were 16 percent greater when the quarter cut was added to the retail display than when no quarters were available. Retailers voluntarily assigned more display area to broilers when they added the extra cut, although added sales accompanied the presence of quarters even after adjustment was made for display. A broiler feature did not measurably affect meat department gross; beef and pork specials were accompanied by increases in department sales. Meat department dollar volume in test stores, however, was negatively related to increases in broiler features by other retailers.

A special promotion of frozen concentrated orange juice sponsored by processors in 1962 has been evaluated. Sales exceeded those expected at existing prices by 2.5 million gallons during the period September through December 1962. Had a price reduction been used to gain this increase in volume, reduction in revenue at retail would have amounted to \$17.4 million as compared with the promotion campaign cost of \$3.5 million.

C. Public Programs

A survey of retail food store sales was conducted in rural Avoyelles Parish, La., before and after initiation of a Food Stamp Program. Retail sales were found to have increased by approximately 7 percent by the program--mostly meat and groceries.

Findings from a sample of approximately 5,000 public and private elementary and secondary schools indicate that more than 85 percent of public school pupils have access to school food services, and 75 percent to plate lunches under the National School Lunch Program. Approximately 1 million additional children each year are attending schools with lunch services. However, despite this steady progress, nearly 4 million children are attending public schools without any food services available or planned by 1964.

School milk now is offered to more than 95 percent of pupils enrolled in the Nation's public schools. An indication of the expansion of the school milk market is found in the increase in numbers of schools offering milk--up from 74 percent of schools in 1957-58 to 86 percent in 1962-63.

IMPROVEMENT OF MARKETING FACILITIES

Agricultural marketing consists, to a great degree, of moving products through a succession of facilities between the farm and the consumer. Inefficient, inadequate, antiquated, congested, poorly equipped, designed, and located marketing facilities cause much of the inefficiency in handling operations which results in unnecessarily high marketing costs, increases the losses of food from spoilage and product deterioration and obstructs the orderly movement of agricultural commodities to consumers. Changes in production and consuming areas, increased population, changes in the size, number, and type of marketing firms, increased volumes to be handled, increased labor costs, the trend toward greater mechanization, new technology in producing as well as consuming units and the effects of redevelopment programs, urban renewal and other public programs require the construction of new marketing facilities or improvements in existing facilities.

In response to requests for assistance, plans were developed for improvement of many kinds and types of facilities. These ranged from egg assembly plants, poultry processing plants, fruit packing houses, livestock slaughtering and processing plants to complete food distribution centers for large metropolitan areas.

During the year, major studies were underway in seven cities. These included the initiation of new studies in Chicago, Illinois, Springfield, Massachusetts, and Milwaukee, Wisconsin. Studies were also underway in Boston, Massachusetts, San Juan, Puerto Rico, Pittsburgh, Pennsylvania, and Detroit, Michigan. In addition to the cities where studies were underway, 13 other cities received some assistance under the program of improving marketing facilities during the year. The work in improving marketing facilities is also conducted in producing or other areas where farm and food products are produced, processed, or otherwise handled before reaching the consumer. A total of 37 specific studies of facilities of this nature were conducted. These included 14 poultry and poultry products, 10 livestock and meat, 2 fruit and vegetable, and 11 wholesale grocery facilities.

Work on improving facilities is conducted in cooperation with some local group or agency such as city planning departments, State departments of agriculture, or State extension services. Since the initiation of this program of work, over 60 cities have been assisted in planning over \$500 million worth of facilities, of which over 55 percent are either built or are under construction. Over 200 specific studies of individual marketing facilities have been completed within the same time period.

Requests for assistance have increased because of urban renewal and other public assistance programs are causing many of the traditional food marketing facilities areas to be relocated. In addition, rising costs are forcing a greater interest in reducing the costs of product handling as much as is economically and socially possible. Work in this area is done (1) upon specific request for assistance by groups of food wholesalers, municipal or State authorities, (2) where there is a clear need for improved facilities, (3) when local agencies are willing and able to assist in doing the required work, (4) where there is good reason to expect that the recommended improvements in the facilities will be completed, and (5)

where facilities constructed or improved can be used as demonstrations for others who are contemplating studies or making improvements in facilities in other areas.

PROMOTION OF EXPORTS

There was a continued expansion in 1963 of market development trade projects with U.S. trade groups. Over \$15 million in market development funds was signed-up to finance 83 projects in 48 foreign countries. This was an increase from the previous year when about \$14 million was signed-up to finance 126 projects in 47 countries. The decreased number of projects resulted largely from consolidation of projects with similar objectives and procedures. The contribution of the cooperating trade groups also increased, bringing the total available for market development to \$22.7 million, compared with \$20.7 million the previous year.

Central convertible accounts were set-up for certain expenses of the cooperating U.S. trade groups. Uniform accounting systems with standardized cost categories and reporting requirements were also established. These new operating procedures helped to improve administration and handling of the overseas market development accounts.

Considerable emphasis was placed on evaluation of existing projects in terms of the purposes and recommended procedures for market development. Intensive evaluations were made for the overseas programs for cotton and wheat through contractual arrangements with outside marketing, advertising, public relations, and merchandising consultants. A similar evaluation project is being developed for soybeans, and other commodity evaluations are planned for future years.

In 1963 the Foreign Agricultural Service sponsored major exhibits at Amsterdam and Cologne, a minor exhibit at Verona and participated with private industry or other government agencies at Lima, Bologna, Berlin, and Valencia (Venezuela). In addition, spring and fall agricultural product exhibits were mounted at the London and Tokyo Trade Centers.

By far the largest and most important of the exhibits was the agricultural solo exhibit at Amsterdam held in November with principal impact directed to member countries of the European Common Market. Along with the exhibit, a symposium was held to which opinion leaders from all of Europe were invited to discuss the "mutuality" of U.S.-European agricultural trade problems.

The fair at Cologne in September featured U.S. food products of significance to the export trade and included U.S. produced soybean, wheat, dairy, and poultry products, rice, fruit and honey.

At Verona, U.S. feed grains, soybean meal and tallow were exhibited.

At the London Trade Center, the spring show featured U.S. feed grains and soybean meal, and in the fall an exhibit and conference for the seed trade was featured. Participating were representatives of the leading British and American seed firms, researchers from both countries, and members of the American Seed Trade Association.

At the Tokyo Trade Center further promotion of soybean meal and feed grains was pursued during the spring exhibit, along with a feed-

stuffs symposium. The fall showing featured a trade-directed program of U.S. poultry products, including dried egg solids.

Trade Center activities will be intensified in the future with added emphasis on formats designed to interest foreign traders in U.S. agricultural commodities.

FARMER COOPERATIVES

Farmer cooperatives continued to develop and expand markets for agricultural commodities including surplus products, both through aggressive sales activities in foreign countries and through active participation in advertising programs, trade fairs and other promotional events. In the past few years, seven cooperatives have received the President's E award for excellent work in developing and promoting export trade.

Cotton marketing cooperatives have become important merchandisers in foreign countries, advertising extensively in foreign cotton trade journals and maintaining agents in important cotton importing countries to help buyers obtain U.S. cotton of the desired quality and staple length. These cooperatives have been exporting around 1.5 million bales of cotton annually.

By forming an export company, 22 regional grain cooperatives have expanded foreign shipments of grain for their farmer-members. These regionals, which are owned by about 1,600 local co-op elevators, were assisted in this export development through studies conducted by Farmer Cooperative Service. The Service also assisted a group of 21 cottonseed and soybean oilseed cooperatives in establishing a joint sales agency to market oil and meal. One of its principal objectives is to increase exports of cottonseed and soybean oil. Cooperatives now export some 400 million pounds of cottonseed, soybean and linseed oil.

Dairy cooperatives sell milk products, both directly and through brokers, on a worldwide market. Major items exported have been nonfat dry milk, whole milk powder, butter, sterile whole milk, and evaporated milk. A recent contract between a cooperative and the Government of India called for a shipment of about 260,000 cases of evaporated milk. This represented almost 26 million pounds of milk exported from this country, which was handled from farms to port by farmer-owned organizations.

Cooperatives have been leaders in the use of advertising to develop and expand markets for agricultural products. They spend substantial sums for advertising and promoting their members' products, and provide almost two-thirds of the funds used by agricultural producer-processor groups for foreign promotion. In addition, another quarter million dollars of cooperatives' funds go into research related to foreign promotion.

The Farmer Cooperative Service provides information and assistance to cooperatives on the development of export programs and advises them on the organization and operation of joint sales agencies and coordinated marketing programs designed to expand the market for their members' products. A publication, "Cooperatives and the Export Picture," included information on the Common Market, a series of commodity reports on future opportunities for cooperatives, and an article on promotion and advertising.

Continuing research to develop new products and to expand existing markets for wood, particularly to increase the utilization of surplus low-grade timber, little-used species, and unused residues, is underway at the Forest Products Laboratory and the regional experiment stations of the Forest Service. Selected examples of such research are as follows:

Investigations of the possibilities of making various building components from low-grade logs, boards, and residues resulted in the development of several entirely new and novel products. Taken together the products comprise all essential structural components of a house shell. These products include: (1) vertically laminated members to serve as floor or roof beams; house siding made by covering the knots and other defects on one or both sides with resin-treated paper; (2) a sub-flooring panel using thick veneer as faces and 3/4-inch thick, low-grade boards as the core material; (3) wall paneling and concealed furniture parts from pressed shavings and flakes; (4) roof decking and interior partition from residue chips bonded together to form the central layer of a three-ply particleboard two inches thick and wood flakes to form the outer layers.

Engineering research on harvesting systems for presently-unmerchantable timber has shown further promise in reducing cost of material for pulp and chemical industries. For example, a system was designed using a newly developed low-cost portable skidder to economically harvest small trees. The system appears to offer significant cost savings in clearing land for replanting and for thinning operations. In addition, the small wood can be marketed for pulpwood instead of being disposed of by burning or crushing. Research is also being done on an integrated harvesting, woodsipping, and transport system that shows promise of further reducing the cost of pulpwood.

Studies aimed at increasing the use of surplus hardwoods in offset printing papers showed that mixed hardwood kraft pulps could be used to replace mixed hardwood semi-chemical pulp without affecting the strength of the offset paper. More opaque papers were obtained with hardwood kraft pulp containing a substantial amount of oaks than with pulps containing a small percentage of oak; thus broadening the raw material base for offset printing papers. Research on fiber products is continuing with the object to make hitherto unused species and qualities suitable for pulp.

Experiments with aspen pallets resulted in an efficient design for a sturdy pallet made of this lightweight wood and immediately aroused commercial interest in areas where this species is plentiful, notably the Lake States and the Central Rocky Mountains. Tests of pallets of an improved design resisted twice as much rough handling and exhibited much less corner-impact deformation than pallets made from denser woods, such as oaks. As a result of this work an increase in aspen utilization in the Lake States was noted and in Colorado aspen pallets were being proposed as the basis for a new industry.

A new laboratory has been built at Princeton, West Virginia, for conducting research to discover ways of increasing markets for forest products, particularly for the hard-to-sell lower grades of hardwood material found in great abundance throughout the Appalachian region. Small woodland management demonstrations as well as research in the logging, marketing, and utilization of surplus wood commodities will enhance progress toward creating new and expanded demand for this material.

The wood content of new, single family homes in various regions has been determined in one of a series of timber demand studies. In Florida, where masonry exterior wall construction predominates and most houses are built on a concrete slab, lumber use per FHA-inspected house averages about 5,500 board feet. In the South Atlantic region, where some 99 percent of the houses have wood frame exterior walls and less than 15 percent are built on a concrete slab, lumber use per house averages over 12,500 board feet. Similarly, plywood use per house ranges from 800 square feet in the Southwest to more than 2,100 square feet in the North Atlantic. Fibreboard use averages about 100 square feet per house in Florida, but more than 1,200 square feet in the Lake States.

One of the major outlets for low-grade hardwoods is in the production of charcoal. A recent study of the charcoal industry shows that production increased to 328,000 tons in 1961, or a 24 percent increase since 1956--the previous post-war peak year. Potential annual capacity of some 300 existing plants, practically all of which are located in rural areas, was about 2.5 times 1961 production. As demand continues to grow farm woodland owners will have a ready market for their surplus hardwoods.

Results of a timber marketing study showed that prospects for establishment or expansion of wood-using plants in the Beckley-Hinton area of southern West Virginia appear promising. There is a sizeable and increasing wood supply of relatively good quality, water supplies are adequate for moderate-size pulpmills, industrial sites and utilities are readily available, and local financial assistance is available under a new Industrial Development Authority.

PART IV

RECOMMENDATIONS FOR ADDITIONAL LEGISLATION NECESSARY TO

ACCOMPLISH THE PURPOSES OF THIS SECTION

The Department has no legislative recommendations to submit at this time, but proposals may be submitted at a later date.

APPENDIX I

LEGISLATIVE AUTHORITIES FOR CCC DISPOSITION METHODS

1. DOLLAR SALES

Domestic

Section 407 of the Agricultural Act of 1949 as amended, places certain restrictions on domestic sales of CCC owned commodities. Under this section the general rule is that CCC may not sell for unrestricted use any basic agricultural commodity or storable nonbasic commodity at less than five percent above the current support price plus reasonable carrying charges. The price restrictions of the section do not apply to sales in redemption of certificates made under the Emergency Feed Grain Program.

Section 102 of the Agricultural Act of 1949, as amended, which was added by Section 101 of the Agricultural Act of 1958, directed CCC during the period beginning August 1, 1959 and ending July 31, 1961, to offer any upland cotton owned by it for sale for unrestricted use at not less than 10 percent above the level of price support for Choice (B) cotton.

Section 407 provides further with reference to cotton that effective August 1, 1961 the Corporation shall not sell any upland or extra long staple cotton for unrestricted use at less than 15 percent above the current support price for cotton plus reasonable carrying charges; except that the Corporation may, in an orderly manner and so as not to affect market prices unduly, sell for unrestricted use at the market price at the time of sale a number of bales of cotton equal to the number of bales by which the national marketing quota for such marketing year is reduced below the estimated domestic consumption and exports for such marketing year pursuant to the provisions of Section 342 of the Agricultural Adjustment Act of 1938, as amended.

Public Law 85-96 (approved July 10, 1957) authorized the withdrawal of 50,000 bales of domestically grown extra long staple cotton from the national strategic and critical stockpile for sale by CCC in accordance with the pricing provisions of Section 407 of the Agricultural Act of 1949, as amended.

Public Law 87-5 permits delivery of feed grains at regular market prices in redemption of payment-in-kind certificates under the 1961 Feed Grain Program.

Export

Section 407 of the Agricultural Act of 1949, as amended, authorizes the sales of CCC-owned commodities for export without price restriction. Sales for export include sales made on condition that commodities of the same kind of comparable value or quantity be exported in raw or processed form.

Specific authorities with respect to export sales of cotton are as follows:

1. Section 203 of the Agricultural Act of 1956 directs CCC to encourage the export of cotton by offering to make cotton available at prices not in excess of the level of prices at which cotton of comparable qualities is being offered in substantial quantities by other exporting countries. Such quantities of cotton are to be sold as will re-establish and maintain the fair historical share (as determined by the Secretary of Agriculture) of the world market for U. S. cotton.

CCC Credit Program

Under the authority of the CCC Charter Act and to encourage additional export sales for dollars, commercial sales of CCC commodities and tobacco under loan to CCC are made under the CCC Credit Program on a deferred payment basis for periods up to three years. With respect to payment-in-kind commodities, special restrictions are applicable to cash dollar markets. Interest is charged at the rate announced each month by CCC and runs from the period of delivery of the commodities to the U. S. exporter until the end of the deferred payment period. All sales under the program are made to U. S. exporters. In applying for credit, the exporter is required to state the extent to which he will pass on the credit to foreign buyers. An assurance of payment from a U. S. bank is required for all purchases.

Title IV, Public Law 480

Title IV, Public Law 480, approved September 21, 1959, provides for long-term supply and dollar credit sales of U. S. surplus agricultural commodities. Major objectives of this title are to stimulate and increase the sale of U. S. surplus agricultural commodities for dollars through the extension of credit which will assist in maximizing U. S. dollar exports of such commodities, develop foreign markets for U. S. agricultural commodities and assist in the development of the economies of friendly nations.

Under Title IV of PL 480, the President may enter into long-term supply and credit agreements with the governments of friendly nations and the Secretary of Agriculture may enter into similar agreements with the U. S. or foreign private trade. Under the legislation, such agreements may provide for delivery of U. S. surplus agricultural commodities over periods up to 10 years. Dollar repayment over periods of up to 20 years is authorized. The interest rate may not exceed the cost of funds to the U. S. Treasury for comparable maturities.

A - Government-to-Government Agreements

Program Policies:

Country Eligibility. Although the Title IV legislation authorizes sales agreements with the government of any nation friendly to the United States, government-to-government agreements are, as a general rule, limited to the less highly developed countries. Eligibility of any friendly nation is generally determined on the basis of the country's financial status and its ability to undertake purchases of surplus agricultural commodities on a dollar basis. Due consideration is given to the use of the commodities and credit in connection with the country's economic development, the

ability of the country to purchase commodities under a Title IV agreement without displacing commercial imports from the U. S. and other friendly supplying countries, and other relevant factors. In the case of countries which are otherwise eligible primarily for foreign currency rather than dollar credit sales programs under PL 480 but where, because of limited surplus supply of the commodity, the commodity can only be supplied under Title IV, both Title I and Title IV sales programs may be entered into.

Commodity Eligibility. As provided in Section 106 of PL 480, commodities eligible for Title IV programs are "...any agricultural commodity or product thereof, class, kind, type, or other specification thereof, produced in the United States, either privately or publicly owned, which is at the time of exportation...in excess of domestic requirements, adequate carry-over, and anticipated exports for dollars, as determined by the Secretary of Agriculture." While agreements may provide for supply of surplus commodities for periods of up to 10 years, such commodities must be in surplus at the time deliveries are to be made.

Payment Period, Interest Rate and Payment Schedules. The payment period and interest rate are determined on a case-by-case basis, the general rule being that the payment period and interest rate are set in relation to the country's financial situation, stage of economic development and other similar factors. The legislation provides that payments in dollars may be made in reasonable annual amounts over periods not to exceed 20 years from the date of last delivery of commodities in each calendar year. Prepayment of principal and interest is permitted if the other government desires to retire the obligation at a faster rate. The initial payment with interest to date of payment may be scheduled as late as two years after the last delivery of commodities in each calendar year under the agreement.

The interest rate under Title IV sales agreements may not exceed the cost of funds to the U. S. Treasury (as of the date on which the agreement is signed.) Interest rates are generally related to the country's financial situation. In the case of more highly developed countries with relatively favorable financial positions, the interest rate is set at the cost of funds to the U. S. Treasury. In the case of developing countries, it is set in relation to the rate charged in dollar repayable loans for economic development made by the Agency for International Development to the government of the country. In the latter instance, the interest rate may be set as low as 2% per annum except that during any grace period the interest rate may be as low as $3/4$ of 1% per annum. As pointed out above, the grace period may not exceed two years from the date of last delivery in each calendar year. Interest is charged on all shipments in each calendar year from the date of last shipment of any commodity under the agreement in such calendar year.

Shipping. Fifty percent of the volume of each commodity procured under Title IV are required to be shipped on U. S. flag vessels, pursuant to the provisions of Public Law 664. The costs of shipping on U. S. vessels are financed under the agreement and, except for any excess costs of shipping on U. S. flag vessels as compared with foreign-flag vessels, are included in the dollar repayments by the purchasing country.

Agreements. Title IV agreements set forth the commodity composition, financing terms and conditions, general undertakings and other requirements. Title IV programs, as appropriate, include provisions to assure that commercial exports of the United States will be maintained and that the supply of commodities under the agreement do not unduly disrupt world prices of agricultural commodities or normal patterns of commercial trade with friendly countries. The sales agreement also provides that the commodities purchased under the agreement are for domestic consumption within the purchasing country and shall not be transshipped or re-exported. As appropriate, agreements also provide for limitations on exports of the same or like commodities, or primary products thereof, during the period covered by the Title IV agreement.

As a general rule, negotiation of a Title IV agreement includes a formal understanding that the two governments shall agree on the use of the local currency proceeds from the sale of commodities under the agreement. In some cases, this mutual agreement on proceed uses is specifically set forth at the time the agreement is entered into. In others, only a general understanding is reached at the time the agreement is entered into that the two governments shall mutually agree on the use of the local currency sales proceeds with specific understandings for implementation of the general understanding to be worked out at a later date. These understandings, particularly in those instances where interest rates have been set at less than the cost of funds to the U. S. Treasury, generally would include specific understandings providing for mutual agreement with regard to interest rates and other terms of any relending to private or non-governmental entities of the local currency proceeds from the sale of Title IV commodities within the purchasing country.

B - Private Trade Agreements

Eligibility of Private Trade Entities

Any private trade entity (PTE) of the United States or friendly foreign countries which otherwise meets program requirements is eligible to enter into an agreement with the Commodity Credit Corporation (CCC). A PTE may be an individual, firm, partnership, corporation, cooperative, or association engaged in private enterprise or non-governmental activity. As a general rule, agreements will be entered into with the private entity which will utilize the benefits of the credit in carrying out projects or programs as set forth in the agreement.

Eligibility of Countries

Under the Title IV legislation exports of surplus agricultural commodities under a private trade agreement may be made to any nation friendly to the United States provided such exports do not displace cash sales which would otherwise be made. In the case of highly industrialized countries which are major commercial markets for the United States, it would be difficult, as a general rule, to establish that exports under a Title IV, PL 480 private trade agreement would be additional to commercial sales. Therefore, it is not contemplated that favorable consideration can be given to proposals involving export of agricultural commodities to such countries. Commodities under this program may be exported only to countries specified in the agreement and shall not be transshipped or reexported.

Eligibility of Commodities

To be eligible for export under a Title IV private trade agreement the commodities must be agricultural commodities or products thereof produced in the United States and determined by the Secretary of Agriculture to be in surplus in accordance with the PL 480 legislative requirements, namely: They must be (1) in excess of domestic requirements, (2) adequate carryover, and (3) anticipated exports for cash dollars and must be in surplus at the time the commodity is actually exported. Eligible surplus agricultural commodities include those under CCC price support as well as others not under CCC price support.

Supply Periods

Supply periods are determined on a case-by-case basis and generally will not be authorized for periods in excess of three years. Longer supply periods (within the maximum of 10 years as provided in the legislation) may be authorized where the commodity supply situation permits such longer-term programing and the specific proposal for such longer supply period is otherwise deemed essential to the accomplishment of the project and the purposes of the legislation.

Maintenance of Commercial Sales

Private trade entities will be required to provide appropriate assurances that exports under a private trade agreement will not interfere with commercial exports of the U. S. and countries friendly to the U. S. which have an historic record of exports to the country to which exports of commodities under the private trade agreement are to be made. Therefore, exports of commodities under this program to the countries specified in the agreement must be additional to the normal commercial exports of such commodities from the United States and friendly historic supplying nations.

Assurance of Payment

Payment of dollar amounts financed by CCC under private trade agreements shall be secured by assurers determined by CCC to be acceptable to act in this capacity. The security shall be in the form of an irrevocable commitment by the assurer that, in the event of default by the private trade entity on any scheduled annual payment, the assurer will make payment of the principal in default with interest thereon. Assurers may be United States banks or financial institutions, foreign private banks or financial institutions located in a friendly nation, central banks or governmental financial agencies or the governments of friendly nations. In addition, depending on the particular circumstances, the assurers may be required to also secure performance of other provisions of the agreements. CCC prefers that the assurance of payment by foreign banks or financial institutions be advised by or through a United States Bank.

Export Costs to be Financed

CCC will finance the cost of making commodities available to export including processing, transportation and handling costs in the U. S. CCC will finance ocean transportation costs only to the extent that U. S. vessels are required to be utilized in accordance with applicable legislation.

Cargo Preference Requirements

As required by U. S. cargo preference legislation, at least fifty percent (50%) of the total tonnage of commodities exported under a private trade agreement must be shipped on U. S. flag vessels. Transportation costs of that portion shipped on U. S. vessels can be financed by CCC, and any excess shipping costs resulting therefrom, as determined by CCC, will be paid for by CCC and will not be included in the principal amount to be repaid by the private trade entity.

Payment Periods

Payment periods are set on a case-by-case basis, the period for a particular private trade agreement being related to the specific project or projects to be undertaken under the agreement. Under the legislation, the maximum period over which payments may be made for all deliveries of commodities in a particular calendar year is 20 years from the date of last delivery of any commodity exported under the agreement in such calendar year.

Interest Rates

In accordance with the Title IV, PL 480 legislation, the interest rate cannot exceed the cost of funds to the U. S. Treasury for comparable maturities. As a general policy, the interest rate will be set at the maximum permitted to be charged under the legislation. As of December, 1963 the indicated interest rates for comparable maturities under the Title IV, PL 480 private trade agreement program were: 1 year 0 months to 1 year 8 months, 3 3/4 percent; 1 year 9 months to 4 years 2 months, 3 7/8 percent; 4 years 3 months to 7 years 11 months, 4 percent; and 8 years 0 months to 20 years, 4 1/8 percent. Interest rates will be fixed at the time the agreement is entered into, such rates continuing for the life of the agreement.

Payment of Principal and Interest

Payment of the principal amount due for commodities and other costs financed by CCC such as ocean transportation must be made in approximately equal annual amounts, the first payment being due on the date specified in the agreement which in no event can be set later than December 31 of the year following the calendar year in which commodities are exported. Subsequent annual payments are due on the anniversary date of the first payment.

Interest on principal amounts financed by CCC covering shipments in each calendar year will be charged from the date of last delivery of commodities in each calendar year. Interest on the unpaid balance must be paid annually not later than the date on which the annual payment of principal becomes due.

Any annual payment of principal and interest may be made prior to the due date thereof.

Purposes for which Credit may be Utilized - The Project

Title IV, PL 480 private trade agreements will require that local currency proceeds from the sale of commodities supplied, or other benefits derived from credit extended, under such agreements are to be used only for private enterprise or other non-governmental projects as specifically set forth in the agreement, which will accomplish one or more of the following objectives: (1) expand dollar exports of U. S. surplus agricultural commodities, (2) develop foreign markets for such commodities, or (3) assist in the private sector of economic development of friendly nations. Relatively short term credit which would provide working capital assistance for foreign importers or users of the commodity to expand their activities and in turn their dollar purchases of U. S. agricultural commodities, is an acceptable project.

Preference will be given to projects which will build additional outlets for U. S. agricultural commodities such as facilities for food processing and Distribution and other supporting facilities and services essential to efficient and economical marketing.

Views of U. S. Overseas Agencies

In considering an application for a Title IV, PL 480 private trade agreement, the General Sales Manager will solicit the views of the Agricultural Attache or Agricultural Officer and appropriate officials of the American Embassy or American Consulate in the country to which commodities under the proposed agreement are to be exported and in which the proposed projects are to be carried out. The PTE should discuss proposed Title IV, PL 480 private trade agreements with the U. S. Agricultural Attache or Agricultural Officer and other officials of the appropriate American Embassy or Consulate.

Position of the Foreign Government

As appropriate the PTE should also discuss the Title IV, PL 480 proposed agreement with the government of the country to which commodities are to be exported and in which the project will be carried out to ascertain its position regarding the importation and sale of the commodities in the country, the project(s) to be undertaken, and the convertibility and/or transfer of foreign exchange in connection with dollar payments to CCC when due. If the proposal involves export of commodities to countries other than those in which the project(s) are to be undertaken, the position of the governments of each country involved should be stated.

Submission of Application

A private trade entity may discuss specific proposals with the Office of the General Sales Manager prior to submitting a formal application. Foreign private entities may designate representatives in the U. S. to act in their behalf in this connection or communicate in writing with the Office of the General Sales Manager. The application, to be signed by a duly authorized representative of the private trade entity, requires submission of complete information as to scope and nature of the private trade entity's operations, qualifications of its principal

officers, the kinds and quantities of surplus agricultural commodities desired, method by which commercial marketings will be maintained, need for credit, the type of project to be undertaken in the foreign country and other information necessary in negotiating a Title IV private trade agreement.

Negotiation of Agreements and Program Administration

The Secretary of Agriculture is assigned primary responsibility for developing and administering Title IV programs. In the case of Title IV agreements with the private trade, the Secretary of Agriculture is responsible for negotiating and entering into the agreements. In the case of Title IV government-to-government agreements, the Secretary of State is assigned the President's functions of negotiation and entering into the agreements and also exercises his foreign policy responsibility in relation to these programs.

Within the Department of Agriculture, the Foreign Agricultural Service (FAS) is assigned the primary responsibility for carrying out the Secretary of Agriculture's functions. Within FAS, the Office of the General Sales Manager is responsible for general direction of the program and for those activities involving consideration of applications, including interagency clearances, and negotiation of agreements. The Commodity Credit Corporation (CCC) is the instrumentality within the U. S. Department of Agriculture which enters into Title IV, PL 480 private trade agreements. The Administrator of the FAS who is a Vice President of the CCC, signs private trade agreements on behalf of CCC.

The Program Operations Division of FAS is responsible for the issuance of purchase authorizations and related operations under both types of agreements. Subsequent to the signing of an agreement, purchase authorizations for the purchase and financing of commodities included in the agreement are issued upon request of the importing country or the private trade entity, as the case may be. On the basis of these purchase authorizations, the government of the importing country or the private trade entity authorizes certain importers or purchasing agencies who contract directly with private U. S. suppliers for the procurement and shipment of commodities under the agreement. The U. S. suppliers receive payment in dollars from U. S. banks which are reimbursed by CCC.

Fiscal phases of operations under all Title IV, PL 480 agreements, including preparation and forwarding of annual billing and receipt of payments of principal and interest, are carried out by the Fiscal Division of the Agricultural Stabilization and Conservation Service in Washington and fiscal units of its Commodity Offices in the field.

Additional Information Available

Further information in regard to Title IV program policies and procedures may be obtained from the Office of the General Sales Manager, Foreign Agricultural Service, U. S. Department of Agriculture, Washington, D.C. 20250

Regulations pertaining to contracting, pricing and exporting cotton under Title IV are the same as those under Title I. A copy of the

regulations may be obtained from the Program Operations Division, Foreign Agricultural Service, U. S. Department of Agriculture, Washington, D.C. 20250. Requests to be placed on the mailing list for announcements of agreements entered into and issuances of purchase authorizations thereunder should also be addressed to the Program Operations Division.

Section 32 Funds

A program of long standing is authorized in Section 32 of PL 320, as amended, 74th Congress, approved August 24, 1935. This Act appropriates an amount equal to 30 percent of gross customs receipts for each calendar year, for use to the succeeding fiscal year, to "encourage the exportation" and domestic consumption of agricultural commodities and for other purposes. Section 205 of the Agricultural Act of 1956 authorized the appropriation for each fiscal year beginning with the fiscal year ending June 30, 1957 of \$500 million to enable the Secretary of Agriculture to further carry out the provisions of Section 32, subject to all provisions of law relating to the expenditure of funds appropriated by such Section, except up to 50 percent of the \$500 million may be devoted during any fiscal year to any one agricultural commodity or the products thereof. Since January 1, 1950 a carryover of up to \$300 million of unexpended funds has been authorized. The Agricultural Act of 1949 directed that Section 32 funds be used principally for perishable "non-basic" commodities other than those designated to receive mandatory support under the 1949 Act.

Export programs under Section 32 are announced after the Secretary of Agriculture finds that a surplus exists. Export allowances are paid to commercial exporters following the export of privately-owned commodities. Only a small portion of the available Section 32 funds has been used for export allowances in recent years. Currently, Section 32 funds are being utilized to encourage the export of U. S. tobacco of certain years production.

2. BARTER

Several legislative authorities specifically authorize CCC to barter commodities for strategic materials or for certain other materials, goods, and equipment. The CCC Charter Act authorizes the barter of CCC commodities for strategic and critical materials produced abroad. Section 303 of the Agricultural Trade Development and Assistance Act of 1954, as amended, provides that the Secretary shall, whenever he determines that such action is in the best interest of the United States, and to the maximum extent practicable, barter or exchange agricultural commodities owned by the Commodity Credit Corporation for (a) such strategic or other materials of which the United States does not domestically produce its requirements and which entail less risk of loss through deterioration or substantially less storage charges as the President may designate, or (b) materials, goods, or equipment required in connection with foreign economic and military aid and assistance programs, or (c) materials or equipment required in substantial quantities for off-shore construction programs.

Recently, a thorough review of the barter program was made by the Executive Stockpile Committee (membership appointed by the President).

Based on recommendations by the Committee, and approved by the President greater emphasis than in the past will be given to the use of barter for the procurement of non-strategic-material items which meet approved program requirements of U. S. Government agencies within funds currently available or within procurement authority which extends over a period of years and for which dollars would normally be spent abroad. Section 416 of the Agricultural Act of 1949, as amended, authorizes CCC to (a) make its commodities available to any federal agency for use in making payment for commodities not produced in the United States, or (b) barter or exchange such commodities for strategic or other materials as authorized by law. Also see Public Law 765, 83rd Congress, as amended. 1/

3. SALES FOR FOREIGN CURRENCIES 2/

Title I, Public Law 480, as amended, authorizes sales of U. S. surplus agricultural commodities for foreign currencies. These sales are made through private trade channels pursuant to Government-to-Government agreements with friendly nations. Public Law 87-128 extended Title I of PL 480 for an additional three years through December 31, 1964 but placed a limitation of \$2.5 billion for any one calendar year. The requirement that the exchange rate applicable to Title I sales be as favorable as those at which U. S. agencies can buy foreign currency was added by this law.

4. TRANSFERS AND DONATIONS

Domestic

There are a number of different authorities under which domestic transfers and donations are made. Purchases are made from private

1/ Section 407, Public Law 765, 83rd Congress, as amended, authorizes the Secretary of Defense to construct or acquire by lease or otherwise family housing for occupancy as public quarters in foreign countries through the use of foreign currencies in accordance with provisions of PL 480, or through other commodity transactions of CCC. Reimbursement is made to CCC by the Department of Defense from savings in Quarters Allowance. Section 420 of Public Law 86-149 directs the Department of Defense in carrying out any project authorized by that Act or any other Military Construction Act, to utilize foreign currencies acquired under Public Law 480-83rd Congress to extent available and feasible in lieu of dollars and to reimburse Commodity Credit Corporation for any foreign currencies so utilized.

2/ Section 402 of the Mutual Security Act of 1954, as amended, required that a specified amount of Mutual Security Act appropriated funds be used to finance the sales and export of surplus agricultural commodities produced in the U. S. Mutual Security Act programs were administered by the International Cooperation Administration (ICA). Except for a minor amount of transfers to ICA, CCC received dollars for ICA-financed purchases of commodities from CCC. Such sales are included in CCC dollar sales.

stocks and from CCC inventories under Section 32, Public Law 320, 74th Congress, as amended, and supplemented. This legislation authorizes the donation of agricultural commodities and products for relief and school lunch program purposes.

Section 416 of the Agricultural Act of 1949, as amended, authorizes CCC, in certain circumstances, to donate food commodities acquired through price support programs to the Bureau of Indian Affairs and to federal, state, and private agencies for use in the United States in non-profit school lunch programs and in the assistance of needy persons, and in charitable institutions, including hospitals, to the extent needy persons are served.

Public Law 86-756, as amended by Public Law 87-179, authorizes schools receiving surplus foods from the Department for school lunch purposes to use such foods in training high school students in home economic courses. It also provides that such schools may use the donated surplus foods to train college students if the same facilities and instructors are used to train college students in home economic courses.

Section 407 of the Agricultural Act of 1949, as amended, directs CCC to make available farm commodities or products for use in relieving distress in areas determined by the President of the United States to be acute distress areas because of unemployment or other economic causes and also in connection with any major disaster determined by the President of the United States to warrant assistance under Public Law 875, 81st Congress.

Public Law 87-127 amended Section 407 to permit more expeditious relief, in that the Secretary can make feed owned or controlled by CCC available for foundation herds at not less than 75% of the current support price when it is determined by the Secretary that an emergency exists. Public Law 86-299 permits the sale of such feed in such areas at not less than the current support price for other livestock of persons who cannot obtain sufficient feed without undue financial handicap.

Public Law 654, 84th Congress, directs CCC to make available to the Secretary of Interior grains acquired through price support operations as the Secretary of Interior may requisition for the purpose of preventing crop damage by migratory waterfowl.

To the extent that such quantities are in excess of usual commercial purchases, Section 202 of the Agricultural Act of 1949, as amended, directs CCC to make its stocks of dairy products available to the armed services and to veterans' hospitals without charge, except that such agencies shall pay CCC for the cost of packaging.

Section 210 of the Agricultural Act of 1956 authorizes CCC to donate food commodities acquired through price support programs to federal penal and correctional institutions, and to State correctional institutions for minors other than those in which food service is provided for on a fee, contract, or concession basis.

Public Law 87-152 authorizes the Secretary of Interior to requisition grain from CCC for the purpose of feeding migratory birds when threatened

with starvation and authorizes the use of CCC owned grain by the States for emergency use in the feeding of resident game birds and other resident wildlife.

Foreign

Section 416 of the Agricultural Act of 1949, as amended, authorizes CCC, in certain circumstances, to donate commodities acquired under the price support programs to non-profit voluntary agencies and to intergovernmental organizations for use in the assistance of needy persons and in non-profit school lunch programs outside the United States.

Section 308 of P.L. 480, as amended, authorizes CCC to donate for foreign relief and foreign non-profit school lunch programs, fats and oils from its stocks or such quantities of fats and oils purchased by CCC as the Secretary determines will tend to maintain the support levels for cottonseed and soybeans without requiring the acquisition of such commodities under the price support program.

Title II of the Agricultural Trade Development and Assistance Act of 1954, as amended (Public Law 480) directs CCC to make available to the President of the United States commodities for donation to friendly nations and friendly but needy populations without regard to the friendliness of their governments to meet famine or other urgent or extraordinary relief requirements. Public Law 87-128 extended the authority contained in Title II through December 31, 1964.

5. PAYMENT-IN-KIND PROGRAMS

Payment-in-Kind export programs have been developed through authority of the CCC Charter Act.

During the 1961-62 cotton marketing year, CCC continued the "payment-in-kind" export program on upland cotton. To encourage exports through usual commercial trade handling, subsidy payments in the form of negotiable certificates computed at the rate of 8.5 cents per pound of cotton exported were made to exporters who shipped eligible cotton. Certificates could be used to pay for cotton purchased under CCC sales programs in repayment of CCC loans or under certain conditions in cash. A payment-in-kind program similar to that for 1961-62 is in operation for upland cotton exported during the 1962-63 marketing year. The announced rate is subject to change without prior notice.

Public Law 87-5 provided for payment-in-kind to producers for the diversion of corn and grain sorghums acreage under the 1961 Feed Grain Program.

Other payment-in-kind export programs were carried out in the same manner as reported last year. A new payment-in-kind program was instituted for nonfat dry milk on March 6, 1962.

